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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2479

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ECONOMIC COOPERATION BETWEEN POLAND, YUGOSLAVIA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 28 Oct 83 p 7

[Article by A. Petrovic: "Efforts Have Yielded Fruit"]

[Text] Invigoration of economic activity in Poland this year has also helped to increase cooperation and visible trade with our country. In the first half of the year Poland reaped a volume of foreign trade amounting to \$11.6 billion, which is 16.9 percent more than in the same period of last year. Trade with Yugoslavia also had a share of that growth, increasing by 50 percent. The percentage of fulfillment of the planned volume of trade was not, however, so favorable, since in 8 months it amounted to 59.7 percent of the annual plan. Exports lagged particularly--fulfillment at 55 percent, while fulfillment for imports was 64.3 percent.

According to figures which have arrived in the Section for Economic Relations With Poland of the Economic Chamber of Yugoslavia, it is evident that there have been certain changes in structure. On the whole raw materials and production supplies have remained in first place with a share of 51.2 percent of total trade, but there was a growth of Yugoslav imports, and exports were down slightly. As for machines and equipment, trade followed the opposite pattern--imports were down somewhat, but exports were higher than anticipated. The quarterly figures are, of course, temporary, and there may be changes by the end of the year, but even they can be taken as an expression of the real needs of each country's economy, which in practice do not always coincide in all respects with expectations.

In the period now past there was quite an appreciable growth of trade of farm products and foodstuffs. About \$15.8 million worth were exported from Yugoslavia, almost reaching the annual plan of \$16.3 million. The tendency was still more pronounced in the case of imports: the plan called for \$12 million for the entire year, but the results of the first 8 months was \$31.4 million. This item also contributed considerably to creating the deficit on the Yugoslav side, which certainly should be reduced in the remaining portion of the year, but it would be a good thing if it disappeared.

On the other hand, a much smaller amount of consumer goods traveled from Poland to our country: referring to the planned amounts and values, \$34 million worth were exported in the first 8 months, which is 18 percent more than

was anticipated for the entire year. Yet less than was planned has been imported, so that this item has been fulfilled at only 31 percent.

Business executives of the two countries have this year been rather active in their efforts to promote their cooperation in all sectors. Several very important meetings were held in June: a meeting of the Joint Yugoslav-Polish Chamber in Poznan, a meeting of the Commission for Industrial Collaboration and of the Commission for Industrial Cooperation, both in Yugoslavia. The latter had a particularly broad scope, since it discussed collaboration in the following fields: agricultural machines, electronics, the wire and cable industry, cars and trucks, equipment for the food processing industry, trade and hostelry, construction and road machinery, the fuel and power industry and raw materials (long-term forms of cooperation), coking coal, machine tools, ferrous metallurgy, and so on.

This kind of activity by the commissions and working groups has obviously yielded fruit, since trade has improved considerably over last year. It can be said that what has been done is the result of the effect of factors that would have been difficult to influence. For example, deliveries on the basis of industrial cooperation in the motor industry have not been made according to plan--about 54 percent of the annual volume has been fulfilled. This is explained by the slowing down of investments and the rationing of imports in the two countries in precisely these sectors, for which rather ambitious volumes had been planned.

The specialized staff services of the Economic Chamber of Yugoslavia recently began to present visible trade with various countries in a breakdown by republics and provinces. Up to the end of this August Bosnia-Herzegovina had a trade surplus of 8.9 percent with Poland, Montenegro 1.3 percent, the same for Macedonia, and Vojvodina 2.3 percent. Croatia had a trade deficit of 10.6 percent, Slovenia 3 percent, Serbia 21.8 percent, within in Serbia proper 18.5 percent and Kosovo 5.6 percent, and the Federation 4.6 percent.

Visible trade between Yugoslavia and Poland this year is characterized by a large number of compensation deals. The people in the section say that most of the deals have been approved, and those rejected included those through which prices might have crept through--prices which do not correspond to needs and capabilities, nor to those normally attained on the market. The delegates had been cautioned earlier that it is harmful to attempt--and such attempts have been made--to use compensation deals even for transactions which might be conducted in the regular way. Evasion of this is only a way of trying to get by more easily and with fewer obligations to the community. It is clear that the authorities will not allow such applications in the future either, nor requests having to do with other types of goods aside from those envisaged for this kind of trade.

7045

CSO: 2800/71

ECONOMIC COOPERATION BETWEEN POLAND, HUNGARY

Budapest FIGYELO in Hungarian No 42, 20 Oct 83 p 10

[Article by L.M.: "Economic Cooperation with Poland"]

[Text] The economic relations between Hungary and Poland, both in the process of building the new society, go back 38 years. The first Hungarian-Polish trade protocol was signed on 30 September 1945. Starting from 1948, economic relations between the two countries began to develop rapidly, and it was in that year that the Hungarian-Polish agreement on friendship, cooperation and mutual assistance, renewed in 1968, was signed.

During the past few decades a whole line of various economic and trade agreements have been signed, further strengthening the already existing ties between the Hungarian and Polish national economies. One of the most recent bilateral agreements was signed by the two parties on 20 July 1983: they have agreed to extend their economic and technical cooperation in the areas of mining and energetics until 1985, and in some areas until 1990. This cooperation faces considerable development, as Polish enterprises have already expressed a desire to participate in the opening and upgrading of Hungarian mines and in the modernization of power plants.

Otherwise, Hungarian-Polish relations in the area of mining have been traditionally good. The HALDEX joint enterprise was formed back in 1959 with the aim of exploiting the pit-heaps of Polish coal mines; since then this cooperation has been further expanded and several similar plants have been opened. Hungarian mining works have been important buyers of modern Polish mining equipment: in 1981 and 1982 NIKEX [Foreign Trade Enterprise for Heavy Industry Products] purchased 15 million and 16 million rubles worth of Polish mining equipment, respectively. This year NIKEX will import 20 million rubles worth of mining equipment.

Each time they have met, the economic experts of the two countries have spoken positively about the important fact that despite the present difficulties of the Polish national economy, the economic relations between the two countries have continued to improve even during the past 2-3 years. Moreover, the increase in Hungarian-Polish foreign trade turnover in recent years has, in general, surpassed the rate of growth that has been attained in Hungary's foreign trade turnover as a whole. In the past few years foreign trade

turnover between the two countries has increased at an average rate of 10 to 12 percent, and this trend is also expected to continue in 1984 and 1985.

The long-term commodity exchange agreement for the period between 1976 and 1980 had called for a 2.6 billion ruble turnover, which would have meant a 59 percent increase over the previous plan period. The facts, however, exceeded the plans, and the value of the commodity turnover concluded in those five years reached almost 3 billion rubles. During this period Poland became Hungary's sixth largest foreign-trade partner. In some areas (such as in the synthetic fiber and pharmaceutical industries) this cooperation had a highly determining effect on Hungarian industry, and Hungarian firms were also importing significant quantities of coal, coke and sulphur.

The year 1980--despite the extraordinary situation that had developed in the Polish national economy--was a successful one for Hungarian-Polish trade. The value of mutual deliveries reached 715 million rubles, which amounted to a 7-percent increase over the 1979 levels. Most of these deliveries consisted of machines and equipment. Our cooperation in the construction industry had also contributed 41 million rubles worth of labor to the building of several important Hungarian industrial and community projects, such as the Szabadegyhaza sugar refinery and the Paks nuclear power plant.

The Hungarian-Polish commodity exchange protocol signed for 1981 had projected a turnover that was about the same as the level of the previous year. Both parties worked hard to ensure that mutual deliveries of energy sources and basic raw materials take place according to their previous order of magnitude.

In 1982 the value of mutual deliveries was 803 million rubles, amounting to a 22 percent increase. Almost 30 percent of this commodity turnover was based on cooperation and product-specialization agreements. It was in that year that the question of utilizing Poland's unused production capacities and of searching for new forms of cooperation was brought up. One form which may be considered to be one of the most important has been Hungarian participation in the production of Polish color television picture tubes. This long-term agreement has been beneficial to both parties: in 1983-1984 the Piaseczno factory will deliver to Hungary a total of 140,000 picture tubes manufactured according to an RCA license under terms that allow Poland to repay its Hungarian credits in picture tubes. The greatest progress in improving the utilization of unused Polish capacities--by way of commission work--has been in the textile industry. Polish enterprises have been commissioned to do work for HUNGAROTEX [Foreign Trade Enterprise for Textile Goods], HUNGAROCOOP and BUDAFLAX, but there have also been other similar initiatives.

Recently there have been some important negotiations between Ikarus and the Jelcz bus factory regarding the possibility of joint manufacturing and cooperation. They have worked out a joint version of cooperation according to which the Jelcz plant will put Polish-made body works on Ikarus-supplied chassis.

Still another important move in 1982 was the signing of a Hungarian-Polish shipping agreement which has made it possible to ship more Hungarian products

by way of Polish ports. At the time of the 1971 peak 1.2 million tons of Hungarian products were shipped from Polish ports, but as a result of the well-known events of recent years this quantity has dropped: in 1982 it was 500,000 tons and this year we expect it to be around 600,000 tons. Under the new agreement, shipping from Polish ports is expected to increase again, reaching 750,000 to 800,000 tons by 1984, and 1 million tons by 1985.

The commodity exchange agreement that was signed for 1983 projected a 765 million ruble turnover, however, on the basis of various foreign-trade agreements that have been concluded between the two parties we can expect that turnover to reach 900 million rubles. At the 20th session of the Hungarian-Polish economic and technological-scientific council--held at the end of August 1983 in Warsaw--the two sides assessed the status of economic collaboration, production cooperation and specialization and commodity turnover between the two countries. They determined that their production ties have been focused mainly on the various areas of machine and chemical industry production. At the present session they have called for the continued improvement and expansion of cooperation in bus manufacturing (see the above discussed Ikarus cooperation), in the electronics industry (see the above discussed color picture-tube cooperation), in computer technology, in the manufacturing of agricultural machines (combine-harvesters and small machines) and in the production of chemical fibers and certain rubber-industry products.

Also discussed during the session has been the question of cooperation in the mining, energy and construction industries. In the future Polish enterprises will participate in the modernization of Hungarian mines, and--on the basis of annual agreements--Polish construction workers will continue to work in Hungary.

Other matters discussed have included questions pertaining to the Hungarian-Polish tourist traffic. In this area the Hungarian side has advocated annually planned and coordinated development.

9379

CSO: 2500/54

INTERNATIONAL AFFAIRS

BRIEFS

JAPANESE CONSTRUCTION LOAN--Japanese banks, together with the International Bank for Reconstruction and Development, have extended a 10.1 million yen loan to the Hungarian National Bank. The loan is a supplement to previous loans from the World Bank and other commercial banks provided to finance programs aimed at construction of grain storage facilities, development of agriculture, as well as diversification and savings in industrial energy usage. The bank is to repay the yen loan in 9 years and have a 3-year grace period. Interest will be adjusted to the going rates for Japanese long-term money market interest. The loan agreement was signed yesterday in Tokyo by a group of banks organized by The Long-Term Credit Bank of Japan Ltd and Fuji Bank Ltd. [Text] [Budapest NEPSZAVA in Hungarian 28 Oct 83 p 4]

CSO: 2500/74

DISCUSSION ON SOCIALIST PROPERTY, MANAGEMENT, RELATIONSHIPS

Gofia IKONOMICHESKA MISUL in Bulgarian No 8, 1983 pp 3-29

[Round-table discussion: "Problems of Socialist Property and Its Management;" signed to press 28 April 1983]

[Text] IKONOMICHESKA MISUL has published several articles on problems of socialist property and its management. They triggered a lively discussion. In answer to this increased interest, the editors appealed to our scientific workers and VUZ teachers dealing with such problems to continue the discussion and share their ideas and views on the topic. The editors are guided by the fact that problems of property have always held an important place in the theoretical and practical activities of the Bulgarian Communist Party. The scientific clarification and proper understanding of the nature and manifestation of ownership relations, of social property of productive capital in particular, is a prerequisite in shaping a scientifically substantiated economic policy and developing an efficient national economic management system. This applies both to the period of the struggle for the efficient restructuring of the old system and ensuring the victory of socialist production relations as well as the stage of building a developed socialist society.

In the transitional period from capitalism to socialism, guided by the Marxist-Leninist theory of the nature, place and role of ownership, our party developed the most suitable methods, means and ways for the revolutionary reorganization of private into public ownership of productive capital. A tremendous contribution was made by G. Dimitrov in this respect with the creative development of problems of property during that period and, particularly, problems of the nationalization of capitalist property and the restructuring of small private property in agriculture through the TKZs [Labor Cooperative Farms].

The materials and resolutions of the 10th Party Congress were a substantial contribution to the theoretical clarification of property relations during the stage of building a developed socialist society and the elaboration of specific directions and means for their advancement. The BCP program and the report presented by Comrade I. Zhivkov at the congress consider problems related both to the theoretical study of the problem of improving socialist ownership as well as the interpretation of processes and trends in the course of such improvements.

A balance of the results of the previous development of ownership relations was drawn up at the 12th Party Congress. New problems were earmarked and the

theory of socialist ownership was enriched. These questions were further developed and concretized in a number of Comrade T. Zhivkov's reports and speeches after the congress.

As given in these speeches and reports of the first party and state leader, economic development of its present stage presents the science of economics with important research problems in this area. It is true that many of the features and laws governing the development of socialist ownership were clarified. Nevertheless, unresolved problems remain. In emphasizing some of them, Comrade T. Zhivkov recommends the following: "Let discussions among scientists go on. This is important and useful."¹

It is indeed necessary to pursue the debate in the course of the scientific search and to exchange ideas in order to arrive at the substantiated and convincing truth. This is also demanded by the resolution of the BCP Central Committee Politburo "On Enhancing the Role of the Science of Economics in Building a Developed Socialist Society," which calls for encouraging the development of original ideas which would enrich economic theory and assist social practice. The editors of IKONOMICHESKA MISUL were guided by this idea in organizing this round-table meeting. The purpose is to popularize the views of various scientific workers on the various problems of socialist ownership, expressed as a direct dialogue among them. This will contribute to the clarification of these problems.

With these introductory stipulations of Professor Dr of Economic Sciences Kiril Kiryakov and Prof Ivan Kostov, representatives of the periodical's editorial board, initiated the round-table discussion.

The attention of the participants was initially drawn to some problems of ownership in general as an economic category and its place in the production relations system.

Docent Nedyalko Belev: In my view, real ownership relations are production relations affecting one production means or another. This is a very topical problem in connection with the theoretical formulations published in the press and in economic works on the interrelationship between the nationwide ownership of productive capital and its management. Allow me to touch on it very briefly. This is necessary, for without an accurate interpretation of ownership we cannot provide a sufficiently accurate and reliable definition of the nature of national property and its utilization, and the owner and manager of national productive capital.

As a specific socioeconomic phenomenon, ownership has its own content and social form. In terms of content, it means the acquisition of objects, material goods, means of production and consumer goods by people; in most socioeconomic systems it also means the appropriation of money. Such appropriation is found in the attitude of the people toward the objects belonging to them and, consequently, over which they have full juridical and actual jurisdiction. It is expressed in the fact that they have such objects entirely at their disposal. They can own, use and replace them, i.e., they may benefit from them. They may grant and give them or surrender their possession of them to other individuals. They may also lease them, i.e., they

can act with them in the way they consider best for the satisfaction of their needs. However, since people coexist in society, ownership and full control over objects by some people presumes that other people will abstain from such actions and, consequently, that certain relations will develop between them, which make such an attitude toward objects possible. Since the acquisition of these objects takes place in the course of their production, this means that people will establish specific relations among them above all in connection with the satisfaction of needs and acquisition of productive capital with which objects are produced and, accordingly, in relations based on the acquisition of consumer goods, i.e., specific relations developing in the course of the production, distribution and exchange of material goods or, which is one and the same, in specific production relations which are also social relations and which govern the needs of individual and social groups within society. Such production relations are a social form of acquisition, which determines who will acquire what and what kind of productive capital or consumer goods. Consequently, they play a determining role in defining the aspect of the individual type of acquisition, the individual type of ownership as a historically specific socioeconomic phenomenon.

Docent Dr of Economic Sciences Dimitur Yanchev: The question of the meaning of the ownership category is indeed a starting point in the accurate determination of ownership relations under socialism and directions leading to their improvement.

The BCP program, which was adopted at the 10th Party Congress, presents the rather important and fruitful idea that "the expansion of socialist ownership does not mean quantitative growth only. It is also a process of qualitative changes, a process of its further advancement."² Let us note that this definition was not developed further in our economic publications. With very few exceptions, development and advancement of production forces is considered not a component of the development and advancement of socialist ownership but only as a prerequisite to this effect. In our view, this greatly impoverishes the process, for in this case it is reduced merely to relations among individual subjects.

In exposing the groundlessness of the naturalistic approach of bourgeois ideology toward ownership, Marx proved that ownership is not an object, i.e., the attitude of a subject toward the object of ownership but of social production relations involving the acquisition of objects. It cannot be reduced to objects or, respectively, to the attitude of the subject toward the objects; nor, however, can it be reduced to relations among subjects; it includes both for people enter into relations among themselves not for the sake of the relations but because of objects, things.

"Acquisition," Marx writes, "which does not acquire anything is a 'contradiction in subjecto' (nonsense!)." ³ On the subject of Bulgakov's claim that value is not an object but a "concept" which is used to express specific production relations, Lenin wrote that "this contraposition of 'material object' and 'concept' is a clear example of the type of scholasticism which is today very popular when presented as 'criticism.' What importance could a 'concept' have in part of the social product if specific material objects do not correspond to this concept?" ⁴

If the ownership category includes both relations among subjects and the attitude of subjects toward objects, this means that production forces should be considered not simply as a prerequisite for the development and advancement of ownership relations but also as an aspect of the same process, which is one of the main trends in its development and advancement.

Candidate of Economic Sciences Rad Peovski: In connection with the question raised by Docent D. Yanchev, I would like to emphasize that the studies made of socialist ownership usually concentrate on the development and advancement of the material elements of production forces. They are used to characterize and illustrate the state, the level of maturity of social ownership reached. This is based on the indirect approach taken between ownership relations and objects, namely the material-object elements of production forces. Production forces play a determining role in the development of the entire system of economic relations, including the social forms of combining production factors and appropriating production results. We cannot imagine the development of sociohistorical forms of ownership and their conversion to a higher form outside the area of production forces. However, this does not mean in the least that the development, not to speak of the maturity, of a given type of ownership could and should be reduced exclusively to scale, to increasing the main objects of ownership and their qualitative technical and technological advancement.

The tremendous quality leap which was taken in the material objects of socialist ownership in our country in recent decades is inseparably linked to the expanded scale of the entire national economic complex and the manifold increase in the country's economic potential, the significant amount of productive capital it has created, considering the country's scale, and the tangible enhancement of the people's well-being. All of this is a manifestation and confirmation of the dynamic nature of the economic foundation of the socialist system and its advantages, embodied in effective management and reproduction and multiplication of social wealth.

The dynamics of the development of the object of ownership, labor tools and objects above all, and their quantitative and qualitative growth are the base for the higher social level of maturity of socialist ownership and ownership relations under socialism. This level can be properly assessed if the study of change in this case is not limited to quantitative indicators alone or to technical and technological characteristics of objects of ownership but if we extend and, on this basis, identify the changes which occur in relations among people in the course of their expansion and utilization. Changes in this are, although organically related to the condition of productive capital, in turn a prerequisite for the development of production forces, of the entire social system. Unless this is identified and established, the acceptance of ownership as a basic economic relation and of social ownership as the base of the socialist system will be merely stated rather than proved. Hence the need of determining the criteria governing the level of maturity of socialist ownership, based on the profound socioeconomic nature of ownership, characterizing it and earmarking trends of its future development.

Prof Ivan Kostov: Some time ago a theory seminar was held on ownership problems at the BAN [Bulgarian Academy of Sciences] Economics Institute, at which Comrade Koycho Petrov presented the main report in which he developed some of his views. Let us ask him here to share his thoughts on the problem.

Professor Dr of Economic Sciences Kiril Kiryakov: Let me add to Prof Iv. Kostov's statement that that seminar was a scientific project which lasted several months. It involved the participation of members of various institutes and VUZs. Considerations and views were expressed at the seminar needing further theoretical interpretation and closer connection to problems and processes which parallel the building of a developed socialist society. In this sense this round table is an extension of the creative discussion initiated at that seminar.

Senior Scientific Associate Candidate of Economic Sciences Koycho Petrov: My thesis is that ownership can be considered only as identical to the system of production relations. It is precisely in this sense that we must interpret Marx's ideas regarding ownership relations not in their juridical manifestation as willful relations but in their real form, i.e., as a sum total of societal production relations.⁵

Conversely, whenever ownership is considered a basic production relation which determines the nature of the remaining economic relations, essentially we do not consider the system of production relations and their subordination ties and environment, but the influence and interaction of autonomously presented economic categories such as societal and personal ownership. Ownership relations are presented as having two sides: object (productive capital, consumer goods) and subject (individual, collective, society). It is on this basis that under socialism the main structural changes are classified or earmarked: a) attitude toward objects as property of the whole nation (natural resources, land, forests, water, production and nonproduction capital); b) relation as a feature of an individual group-collective or an individual (consumer goods and noncapital production means). Both in this classification based on the object as well as based on the subject we cover only specific juridical aspects of ownership relations--the owner of the objects, the use to which they are put by the working people, and so on.

Under these circumstances ownership relations are presented in a logical sequence different from production relations. The result is a multiple-step structure of objects and subjects of appropriation, self-seeking identification of the content of ownership categories, handling, utilization, possession and expropriation. In practice, in all cases, this leads to a break in the system-forming ties among production relations and the elimination of the ownership factor. We look for the basic production relation or the content of economic relations, but in general, outside production limits, or else we artificially distinguish between a "system of ownership relations and system of relations of social reproduction phases (direct production, distribution, exchange and consumption)."

The acceptance of the Marxist-Leninist concept of the economic content of ownership as identical to production relations requires a new orientation in

our scientific research. It faces the socialist political economy with far more complex and difficult yet realistic problems and tasks. Above all, we must make use of the systems-structural approach in the study of production relations in order to determine their complex hierarchical organization, evolutionary-historical connections and development.

Before that, let us answer a question of formal logic, which usually stems from the traditional concept of ownership. If ownership and production relations are one and the same, are we not rejecting ownership? No, we do not reject it, for production relations have a juridical manifestation represented by the officially established ownership forms (state, cooperative, and so on), and an organizational-economic manifestation in the enterprises and economic organizations (state, cooperative, etc.). Therefore, it is a question of complex interrelationships between form and content, phenomenon and essence, and so on.

When we speak of ownership, consequently, we refer to the practically existing juridical and organizational-economic aspects of the production relations phenomenon.

Senior Scientific Associate Candidate of Economic Sciences Iliya Balabanov: Let me add some other considerations to this. In answering the question of the nature of ownership, in my view the works published on the subject do not properly appreciate the achievements and wealth of the theoretical system and methodology developed by Marx, Engels and Lenin. We must turn more frequently to this legacy of the Marxist-Leninist classics in this area.

According to the classics, ownership is a specific social form of appropriation of material goods: "All production is an appropriation of nature on the part of the individual within the framework of a specific social form and through it. In this sense, it would be a needless repetition to say that ownership (appropriation) is a production condition."⁶ It is further clarified that "in the course of the production process the members of society adapt (create, transform) natural products...; distribution determines the proportion within which the individual owns a share of such products; exchange procures him the individual products...; in the course of consumption the products become an object of consumption, of individual appropriation."⁷

As a specific social form of production, ownership is the most integral economic category of the political economy of a given production system. In other words, it is an expression and a characterization of the overall system of production relations: "...To define bourgeois ownership means to present all social relations within the bourgeois production method."⁸ It is also said on this subject that "...private ownership is not a simple relation..., but a sum total of bourgeois production relations...."⁹ In criticizing Proudhon, Marx wrote that "that which Proudhon actually discussed was the existing contemporary bourgeois ownership. To the question of what is it? one could answer only by a critical analysis of "political economy," which covers the totality of such ownership relations not in terms of their juridical expression as willful relations, but in their actual form, i.e., as production relations."¹⁰ "Finally, ownership is Mr Proudhon's last category

within the system. In the real world, conversely, the division of labor and all of Mr. Troudhon's other categories are social relations, the sum total of which forms that which is known today as ownership; outside such relations bourgeois ownership is nothing but a metaphysical or juridical illusion."¹¹

The feature which determines the nature or specifics of the entire system of production relations and ownership is who is the owner of productive capital (who has already acquired it one way or another from the previous owner through an act of violence, expropriation or evolutionary growth of one social production form to another). Having acquired the ownership, he continues further to reproduce his ownership relations both through productive capital and in terms of all goods produced. That is why ownership relations (production, distribution, exchange and consumption) of productive capital are the basic production relation within a given society.

Consistent with economic ownership relations are juridical relations which are already superstructural (again relations among people based on the creation, social dynamics and consumption of material goods), through which they are legally codified and guaranteed with the help of the coercive organs of the state.

Prof Ivan Kostov: Ownership is a complex economic category with a rich socioeconomic content. Although a variety of views exist on how to define it and to determine its place and role in social production, it is unquestionable that it expresses a specific social relation which characterizes the appropriation of production conditions and labor results. It plays a determining role in the social production system.

It is important on this basis to determine the nature and to characterize social ownership as a new type of ownership radically different from private ownership.

Public ownership expresses relations of social appropriation of productive capital. This means that the capital is owned by society which handles it as a whole and is used in the public interest by all working people. In this manner the members of society are equal in terms of productive capital. In turn, this creates unity and community of interests.

Unity of interests is the base for the development of a new type of relations of collectivism, cooperation and mutual aid. With the establishment of public ownership of productive capital a new production target is set--the full prosperity and free and comprehensive development of all members of society. What also changes is the form of development of the production process: planning replaces uncontrolled elements and rivalry. However, this more general characteristic of public ownership is insufficient in gaining an accurate and full understanding of the problems of socialist ownership and taking efficient managerial decisions. We know that public ownership relations are not permanent. They do not remain the same during the individual phases and stages in the development of the communist socioeconomic system. Although they retain the general features we indicated, they improve steadily. Consequently, it is important to define the features of socialist social

ownership as a manifestation of a lower stage in the development of social ownership relations. These characteristics are reduced most frequently to the existence of two forms of ownership. Practical experience has proved, however, that already during the socialist phase a single nationwide ownership can develop. Therefore, the main features should be sought in other traits. An important feature is the fact that under socialism the governmental organization of society is retained, for which reason the social ownership functions are realized in the use of the coercion of the state as well. Another essential feature is that the public productive capital under socialism operates directly through economically autonomous units (enterprises) which retain a relative autonomy and have their own collective interest. The lower level of socialization is expressed precisely in the fact that the unity and community of interests have not been sufficiently established yet and the normal production process calls for developing collective economic interests in the individual economic units.

Professor Dr of Economic Sciences Petko Iv. Petkov: I believe that occasionally we interpret one-sidedly Comrade T. Zhivkov's formulation that "the state is the owner and the labor collective is the manager." As a social political institution, the state acts as the supreme subject of this ownership, for it expresses the national interests and the supreme unity of the entire nation. These characteristics are strengthened even further at the present stage, when the processes of intensification of the socioeconomic homogeneity of social groups become stronger and the state develops as a democracy of the whole people.

The question of the structure of the subject of the socialist property of the whole people is more complex. As we pointed out, the state acts as the supreme subject. However, does this mean that it is the only bearer of these qualities? Does this mean that the labor collectives and individual working people are isolated from the subject of the ownership of the whole people? If such is the case, such ownership could in no case develop as truly belonging to the whole people. The very term "whole people" ownership or "whole people" possession can have no real meaning if we exclude from the subject of this ownership the labor collectives with their members. The absolutizing of the stipulation that the state alone has the characteristics of the subject of whole people ownership means leaning toward the bourgeois concept of ownership as bureaucratic, as state ownership, an ownership from which the labor collectives are excluded. In such a case we cannot speak at all of any direct link between manpower and productive capital as an essential feature of labor in socialist society. In other words, we are pouring grist in the mill of the bourgeois ideologues as regards the nature of socialist ownership.

However, this is inconsistent with actual socialist reality. Both the labor collectives and the associated members of society, without whom there would be no society of equal working people to begin with, also possess the qualities of co-owners of productive capital of the whole people. They are not separated from them but are their collective co-owners. In this sense they are components of the single subject of this ownership. In other words, both on the meso- and micro-levels, they possess the qualities of co-subjects of this ownership.

Consequently, the structure of the subject of ownership by the whole people is characterized by three levels: the supreme (the state as representing the national interests, i.e., the entire society), to which is subordinated the second level--the labor collectives, as components of the society, and the associated working people as equal members of society. The collectives and the individual working people are the co-owners and components of the single subject, but exclusively within society. Outside society they can possess no such qualities. In this sense ownership by the whole people is single and indivisible, which is its determining characteristic. This excludes the possibility of going to the other extreme when we grant labor collectives and associated working people the qualities of co-owners and units within the structure of the single subject of this ownership: the stipulation that socialist ownership is group ownership. In no case could we here draw an analogy with the revisionistic concepts of group ownership in a socialist society.

National ownership means ownership by the entire people, by all members of society. All people have an identical economic attitude toward it. Such ownership does not allow for any socioeconomic differences or privileges granted to any social group. All are equal in the face of it and, at the same time, no one is isolated from it. Although it performs the functions of the supreme subject, the state neither is nor could be a barrier which separates the working people from productive capital. This is possible only under the bourgeois state ownership as the collective possession of the capitalist class.

The labor collectives and their equal members exercise their quality of organic component of the structure of the subject of national ownership through their labor and the management of such property and its distribution and eventual utilization of income.

Such a substantiated view of the question of the subject of national ownership is in the spirit of the additional specifications provided by Comrade T. Zhivkov on the owner and manager in his concluding speech at the 29 and 30 November 1982 BCP Central Committee Plenum which discussed the concept of the new Labor Code. "Consequently, we do not break up socialist property. It remains the national, single and individual property of society as a whole. On the other hand, we neither separate nor alienate socialist property from those who use productive capital in their work..."¹²

Candidate of Economic Sciences Rad Peovski: When we speak of public ownership we face the important problem of the criteria and indicators characterizing its level of maturity. Frequently, in considering individual ownership aspects, we use a number of indicators, data and facts which illustrate mainly the quantitative development of socialist ownership, while pushing into the background the qualitative changes which take place along with quantitative growth. It is a question of changes which characterize a higher level of maturity of socialist ownership as a relation among people in the course of the process of production, distribution and consumption of material goods.

A number of criteria can be used to determine the level of maturity of socialist ownership. Arbitrarily they could be divided into criteria of the level of development of the material aspect of ownership and criteria of the level of the maturity of the socioeconomic aspect of ownership.

The first group includes the technical characteristics of basic productive capital; the level of technical labor facilities; the level reached in the mechanization and automation of production processes; the equalization of working and living conditions, and others.

The second group of criteria are socialization, collectivism, social justice and equality, the attitude toward property and its management, and others.

Criteria can be distinguished also along the line of the objects and subjects of ownership, economic forms of exercise of ownership, and so on. In our view, the criteria in the second group are of determining significance, for which reason they could be defined and utilized as basic in characterizing the level of socioeconomic maturity of the social ownership of productive capital. They truly express the most essential features of ownership relations, clearly earmarking the prospects for reaching the full maturity of such relations and their future growth into communist ownership relations. Consequently, said criteria are of historical nature and at each given stage of the building of socialism indicate the most essential qualitative changes and improvements in the development of socialist ownership.

Professor Ivan Kostov: I think that it would be of interest to develop your views on the criteria and try to interpret their nature and place in assessing the maturity of socialist ownership.

Candidate of Economic Sciences Rad Peovski: Very briefly, I can give you the following explanation: Production socialization is a natural process in the development of production forces and production relations. It has a material-technical, social, economic and organizational content, which makes it convenient for use as a criterion in evaluating both sides of socialist ownership. For this reason production socialization strongly links together the criteria of both groups. Considering its great socioeconomic significance, we classify it in the second group of criteria.

Lenin made a clear distinction between the primary, formal and the real socialization of socialist ownership. In primary socialization, the socialist state obtains the right to handle productive capital as it finds it. Under such circumstances, however, the socialist economy is still not a system of closely linked economic units. This is achieved subsequently, as a result of the actual socialization process. It means the creation of a single systematically functioning and developing national economic complex.

The level reached of production concentration and specialization, improvements in the national economic structure, the unified energy, transportation, communications, information and other systems, the large sectorial and territorial production complexes, combines, plants, enterprises, and agroindustrial and industrial-agrarian complexes, the scientific-production trusts,

the significant equalization of the material and technical conditions and the organization of production in the various economic units, and so on, confirm today the level of maturity reached by socialist ownership from the viewpoint of the socialization criterion.

The accelerated development of a material and technical base adequate for mature socialism during the forthcoming period will parallel an increased level of socialization and socialist ownership.

Most closely related to socialization is the other criterion—collectivism. It appears in specific forms such as the development of socialist cooperation of labor, mutual aid and extensive exchange of leading experience among working people, enterprises, *obshtinas* and *okrugs*.

At the present stage the quantitative and qualitative changes which took place in relations and interrelationships within and among national economic units prove that economic relations among the associated members of society in the utilization, preservation and multiplication of public productive capital develop, improve and reach a higher level.

The development, improvement and establishment of social equality and justice under socialism are among the important criteria and features of the maturity of socialist ownership.

The distribution and redistribution of income and the collective and individual consumption of objects and providing services to the population are most directly related to this criterion. Distribution is an area in which the economic and social interests of the working people criss-cross and in which the needs of the production process, the collectives and the workers themselves come together. The solution of problems in this area is related not only to the more equitable distribution of produced material and spiritual goods but their quantity as well. Whenever the shortage of such goods is severe, justice and equality become more frequently violated and are more difficult to preserve. However, it is precisely then that the possibilities and advantages of the socialist system can be displayed quite strongly, through the strict observance and development of its principles of equality and justice.

Substantial shortcomings in the distribution system are still encountered in our practice. Essentially, they are also a manifestation of the incomplete development of the foundations of the socialist economic system.

The next manifestation of a higher maturity reached by this ownership from the viewpoint of socialist justice and equality will be the comprehensive improvement of distribution relations and the assertion of true social justice by reaching the type of differentiation in working people wages and income in our society which would reflect and ensure a direct interconnection and interdependence among the quantity, quality and results of labor.

Public ownership is also the base of unity of national, collective and individual interests. The level reached in such unity is also a criterion of the

level of maturity of social ownership and the development of its subjects. The unity of such interests, like any other unity, contains both common and different elements. The maturity of the subjects of socialist ownership is manifested in strengthening the common features of individual and social interests and surmounting major disparities and contradictions among them. Engels clearly earmarked the future of this process. He believed that under communism community of interests will become a basic principle in which the social interest will no longer be distinct from that of the individual.¹³

The next exceptionally important criterion from the position of which we can assess the level of social maturity of ownership under socialism and, particularly, of the subjects of this ownership is the attitude of the working people toward it and the condition of its management. Public ownership, as available to all, can develop and improve with the steady enhancement of the socialist consciousness of the people and the development of a new attitude toward property and its management. By increasing public property the people increasingly begin to treat it as their own rather than someone else's. They show concern for public property and develop as their true and good managers.

Prof Ivan Kostov: It would be pertinent in this connection to cite Comrade Yu. Andropov's thoughts in his article "K. Marx's Theory and Some Problems of Socialist Construction in the USSR." After stressing that the transformation of "mine" into "ours" is a lengthy multiple-stage process, he writes that "to earn the right to manage and to become a manager, a real, skillful and zealous manager, are quite different things. The people who have made a socialist revolution will take a long time to realize their new status as the supreme and only owner of the entire social wealth. They will have to realize it economically and politically and, if you wish, psychologically, by developing a collectivistic awareness and behavior."¹⁴ Consequently, the development of public ownership means, above all, the expansion and assertion of collectivism among the working people and, on this basis, strengthening the new attitude toward public property as "our" common property.

Senior Scientific Associate Candidate of Economic Sciences Iliya Balabanov: The emergence of ownership problems on the proscenium today (precisely in connection with the economic mechanism) is not accidental. There is no more theoretical and at the same time more directly practical problem than that of socialist ownership. Economic life itself has imposed upon us the need to realize the elementary truth of Marxist political economy to the effect that managing the economy means, above all, managing people--production organization through the people's economic interests. We must be clear on the subject of how objectively the people should participate in the production, distribution, exchange and consumption of material goods. We must know the nature of the socioeconomic method of functioning of production forces inherent in socialist ownership.

According to some economists, ownership is achieved almost exclusively through the distribution of income. If we wish, on the one hand, not to alienate the people from productive capital and, on the other, to realize this ownership, the production collectives must participate in the distribution of the end income of the enterprise, in addition to wages based on wage

rates. All right. Objectively, however, what should the percentage be--10, 20, 50 percent? What determines this percentage? If the theory of ownership is unable to provide a satisfactory answer to this question it remains a theory on paper only.

In my view, such a formulation of the problem can never yield a successful answer, for ownership is realized not by any means within the framework of distribution relations. Thus, for example, it is obvious that with the same norms (proportions) of distribution of the created product the amount of the income received by collectives and individuals would be different if, first of all, different norms of outlay of labor and materials are given to the collective and, secondly, if different prices in exchange relations are set in terms of marketing and procurement. It is clear that ownership relations are realized also in the production and distribution process, in trade and, finally, in the level and form of consumption of goods. They pertain to the specific social means used in the distribution (mandatorily) of the overall labor (past and present) among material areas, norming (social rating) of labor and its results, wages, and utilization of the share obtained in consumption distribution.

According to Marx and Engels socialist ownership excludes the "exploitation of some people by others" as a result of the "social ownership of productive capital."¹⁵ In this case the "working time is...a measure of the individual participation of the producer in the common labor and, therefore, a measure of that segment of the common product left for individual consumption."¹⁶

More specifically, what is the practical aspect of these concepts, bearing in mind the general definition of the "ownership" concept formulated in the classics?

Regardless of its specific expediency and application, in the case of direct productive labor this applies to production relations--the means of application (distribution and social assessment, i.e., norming), the exchange of its product (marketing-supply and price relations), wages (income distribution relations) and the satisfaction of corresponding individual needs--to be so organized that the consumption product obtained in the final account is proportionally consistent with the social sum total of the labor invested by the individuals.

In terms of specifically managerial labor the situation is precisely the same, regardless of the level in the social hierarchy in which it is invested and its specific functions. Here again production relations involved in determining the amount of wages and consumption must be developed in such a way, according to its specific nature, role and tasks in the overall joint labor system, as to ensure social proportionality in terms of its social share and level of implementation of its functions as determined by society. In other words, here again it is exclusively within the framework of the labor distribution processes that socialist ownership relations are realized and, in particular, the relations of social ownership, management and utilization of joint productive capital.

Consequently, the criterion of the maturity level reached by socialist ownership or, respectively, of its development and advancement, should be sought above all through the determination of the theoretical and practical possibilities in the organization of the entire system of production relations, ensuring the increasingly accurate determination of the social share and role of the individual and collective specific labor in the creation of public goods, on the one hand, and ensuring the corresponding social proportionality in their distribution regardless of the specific nature of the labor--direct productive or specifically managerial.

Professor Dr of Economic Sciences Zdravko Kovachev: The study of the problem of the nature of public ownership calls for identifying the connection between ownership relations and the nature of socialist production.

On the surface, the problem of the nature of production under socialism does not raise any questions. If we take a closer look at it, however, it proves to be quite complex, for it involves commodity-monetary relations which create additional complications and are the reason for differences in the views of economists.

More specifically, the question is that the connection between social ownership and the nature of the production process cannot be studied or expected to yield results if we focus the study on the level of the economic organization. Socialist ownership excludes such an analysis. Unlike the capitalist system, socialist production is not atomized. It is not broken down into economic units with an antagonistic confrontation of interests. Socialist ownership expresses the social appropriation of productive capital and is distinguished by its indivisibility, collectivism, and unity and commonality of interests. It expands the limits of labor cooperation to the scale of the entire national economy and becomes the objective base for the economic unity of the public production process, expressed through unity of prices and actions of the subjects of socialist production relations. Public ownership is the base for the development of a new type of planning which covers the entire national economy. That is why the nature of socialist production must be necessarily studied on the level of the national economy.

From the methodological viewpoint the question of the nature of socialist production is manifested also in the fact that it is a question not of a feature which reflects general production characteristics but a specific socially determined feature of the social system.

The connection between the dominating form of ownership of productive capital and the nature of the production process is manifested through its influence on the socioeconomic form of labor and means of combining material and individual factors in the production process. The assertion of public ownership as the dominating form in the national economy triggers profound changes in the socioeconomic form of labor and social relations among production factors. It has determined the conversion of labor into directly social,¹⁷ and the direct link established between workers and productive capital. These changes directly affected the social characteristics of the production process, converting it into a planned, directly social production process.

Under socialism--the first phase of the communist socioeconomic system--the planned and directly social nature of the production process is manifested in the objective need and possibility of society to establish a direct connection between economic requirements and the production of material goods.

The interpretation of the socialist production process as planned and directly social brings out the initial, the main, the determining features of its socioeconomic form. At the same time, however, historical experience has convincingly confirmed that the formation of a planned organization of social production following the assertion of socialist ownership within the entire national economy did not immediately lead to the withering away of commodity-monetary relations. Therefore, socialist economy displays heterogeneous production relations. Their system includes both directly social and commodity-monetary relations.

An odd situation develops. On the one hand, through the plan the individual work of the enterprise (economic organization) is covered by the plan and operates as part of the overall social labor. On the other hand, individual differences in enterprise labor trigger a differentiation in the outlays needed for the creation of the respective commodities. The need arises to reduce individual outlays to the socially necessary level, to observe the principle of equivalent exchange among enterprises and the utilization of the commodity form of economic relations among them.

Therefore, direct economic relations on the scale of the national economy are a specific natural phenomenon of socialism. They are basic to the operational mechanism of the socialist economy.

Commodity-monetary relations and the commodity form of economic relations under socialism give some authors grounds to speak of the commodity nature of socialist production. The term production nature, which expresses its specific socioeconomic form, and the term commodity nature of production under socialism are not one and the same. The use of either term reflects a real structure of socialist production relations. However, it should not result in the elimination of essential differences. The former describes a specific, a genetic characteristic of socialism, while the second is a general characteristic, i.e., a characteristic which does not express the specific socioeconomic form of socialist production. The former emphasizes the specific planned organization on a national economic scale, created by socialist production relations and public ownership. The latter should be accepted only as such, directing the attention of the subjective factor toward a consistency with the overall principles governing commodity-monetary relations, the full utilization of their categories and laws in the economic management mechanism, and taking into consideration their new socioeconomic content and characteristics of their manifestation in the socialist economy.

In the light of all this we can formulate a summing-up conclusion. The characteristics of social production relations and of their structure call for determining specifically the concept of the nature of socialist production. The socialist level of maturity of public ownership also determines the socialist level of maturity of the planned and directly socialized nature

of the socialist production process. It should be considered a planned and directly social production, developing toward its full maturity, going through the various socialist stages of combining direct (determining, main, fundamental) and commodity forms of economic relations in the national economy.

These features in the nature of socialist production lead to important conclusions on the subject of the economic management mechanism. Let us emphasize above all the need for comprehensive utilization of economic methods, means and levers in observing their hierarchical subordination inherent in the nature of the socialist production method. The realization of socialist ownership should be directed toward the maximal utilization of the springs provided by planning, closely combined with the levers of commodity-monetary relations.

Prof Ivan Kostov: Particularly topical from the practical viewpoint is the question of the tie between socialist ownership and the management of productive capital and the relationship between the state and the labor collectives. As we know, an extensive debate was held on these problems. In the light of the formulation of Comrade T. Zhivkov on the state as the owner and the labor collective as the manager, we could earmark the functions of the state in providing centralized national economic management and the functions of the economically autonomous units in the direct organization and management of the production process.

Professor Dr of Economic Sciences Kiril Kiryakov: The basic direction to be followed in the further advancement of the processes of development of ownership at the contemporary stage and the further management and utilization of the property is related to the systematic implementation of the principles of the new economic approach and its mechanism.

The achievement of a basically possible high socioeconomic efficiency proceeding from the stipulated progressive development of ownership in our country decisively depends on the system and organization of management. This is as much an economic as a social problem. On the economic level, the management system and organization will enable the society to obtain maximally possible results from the created potential. On the social level, this determines the attitude of the socialist working person and labor collective toward the property: will they be directly interested in its multiplication and efficient utilization and will they feel like the owners, with all entailing consequences.

Docent Dr of Economic Sciences Dimitur Yanchev: In connection with these questions I believe that identifying the social carrier of the management category is particularly important.

We know that ownership relations are determined by the following categories: appropriation, handling, possession and management. Each of them expresses the attitude toward the subject of the ownership through the relations among individual subjects, in which one of the subjects is the carrier of a specific category while the other subjects are not. Thus, for example, appropriation expresses a relation through which a given subject appropriates the

productive capital and production results for himself. Socialism does not eliminate the appropriation-condemnation relation but the antagonistic manner in which this relation is manifested in class-antagonistic societies. To consider that the subject of the appropriation could be both the owner and the nonowner means to destroy the social existence of this category or, which is one and the same, to reduce it to the subject-object relationship.

The same applies to the other categories. If they are of a political-economic nature it means that they are expressing a relation in which a given subject is their social carrier while the other subjects are not. In the opposite case such categories would lose their socioeconomic content.

In order to gain a better understanding of the question of the social carrier of the management process, we must take into consideration one more of its essential features. In some of these categories the social carrier may be exclusively the owner; in others, he may be a nonowner as well. The former include the appropriation and handling; the latter, ownership and management. Naturally, the solution of the problem of the social carrier of ownership and management depends on the level of production forces, maturity of socialist production relations and some other social or political factors. For example, if according to the requirements of production forces or for other reasons the owner not only appropriates and handles the ownership object but also directly organizes the production process in accordance with his interest, he becomes the social carrier of all ownership, possession and handling categories. However, if on the basis of the level of production forces or for some other reasons the subject of the ownership appropriates and handles objects and things while the direct organization of the production process is in the hands of someone else who, within the framework of the parameters given by the owner, independently manages the turnover and circulation of productive capital, in accordance with the interests of the owner and of his own, management and possession become separate items. The carrier of the appropriation and handling is the owner while that of the possession and management is the non-owner.

In our view, possession and management reflect identical relations but on different levels. Possession expresses the possibility and necessity for its social carrier to provide a relatively autonomous circulation of the productive capital of the owner in accordance with the owner's interests and his own specific interests as an economically autonomous unit within a more general and, consequently, more intensive form; in the case of management the same opportunity is necessarily expressed in a more specific and, consequently, less profound form. In our view, management is the set of instruments through which the owner exercises his status as such. Hence the definition of management as a function of possession.

The great importance of the definition provided by Todor Zhivkov, according to which society, as represented by its state organs, is the owner while the labor collective is the manager of the socialist property is, in our view, the following: First: Thanks to this definition the content of the management category may be made more consistent with its own logic and social existence. Second: Comrade Todor Zhivkov relates this new approach to the

manager to the solution of basic problems of socialist practice in our country. It is no accident that this definition is one of the basic prerequisites of the new economic approach.

It could be expected that the distinction between the subject of management and the subject of ownership would create or intensify some contradictions between society and the individual labor collectives as well as among the labor collectives themselves. However, based on reality itself and, consequently, the objective nature of the position of the owner and the manager, in all likelihood this will become one of the most important motive forces in the development and advancement of socialist production in our country.

However, the contradiction between the subject of ownership and the subject of management may be not only objective but subjective as well. In the second case, naturally, it would have an adverse effect on the development of the economy. It is from the statement made on this subject in the concluding words of Comrade Todor Zhivkov at the BCP Central Committee Plenum which discussed and adopted the party concept of a new labor code, that we may draw the conclusion to the effect that the elimination of the subjective aspect of contradictions between the subject of ownership and the subject of management should be sought in the systematic application of the following formula: society-owner and labor collective-manager of socialist property.

The great importance of the formulation provided by Comrade T. Zhivkov regarding the owner and manager of socialist property is not reduced merely to the characterization of the management category. This formulation allows us to resolve more accurately one of the most complex, if not the most complex, problem of ownership relations: the content of the handling category. Unquestionably, the carrier of this category is society as a whole or, respectively, the state. But how to interpret this category, what is its content? The formulations provided by Comrade T. Zhivkov lead to the conclusion that it should be understood in the sense of the possibility and necessity for the subject of ownership, based on the level reached in the development of production forces and production relations, to resolve, first of all, who should manage the object of his ownership--himself or a subject he has appointed--and, secondly, to determine the main trends in the socially necessary labor investments.

The specific trends of these investments are not a problem of handling but of possession and management.

In "allocating" the functions in defining the trends of the socially necessary labor investments between handling, on the one hand, and possession and management, on the other, we have the possibility systematically to determine the nature of the social being of such categories without questioning the economic role of the socialist state.

Prof Petko Iv. Petkov: I already pointed out that the base of real socialism in the stage of its full maturity is the social ownership of productive capital in its nationwide form. It expresses most suitably the profound essence of developed socialism. As to the management of productive capital, it could

be scientifically determined only on the basis of the already mentioned characteristic of the structure of the subject of ownership by the whole people. This problem is of basic significance in the proper development of economic interrelationships between economic organizations and the entire society as represented by the state.

Above all, it would be erroneous to consider that the state is nothing but the owner, i.e., that it does not perform economic functions. Such a concept would conflict with objective reality. It really performs such functions but on a macroeconomic scale, through the entire system of planning activities, price setting, regulating distribution and redistribution processes, etc. It is precisely this which distinguishes it from the reduced economic functions of the bourgeois state which has a significantly more limited economic base--state capitalist property.

On the micro- and meso-economic levels, i.e., on a local scale, in terms of economically autonomous economic organizations, the functions of the manager of socialist ownership is performed by the labor collectives of these organizations, including the equal working people organized within such collectives.

Docent Licho Gyulmezov: The question of the further improvement of the state form of socialist ownership through the proper demarcation and definition of the functions of the state, the economic organizations and the labor collectives has become quite topical at the present stage in connection with the management of national productive capital. The socialist state which, on behalf of and as assigned by society, is the owner of the national productive capital, is directing its attention to the implementation of primarily management functions which stem from the unity of the national ownership and which ensure the solution of problems of a global nature from the viewpoint of the planned development of the national economy as a whole.

At the same time, the economic organizations were assigned the entire set of functions related to the specific conduct of the production and reproduction processes on the basis of the material, financial and manpower resources granted to them by society and within the framework of the assignments contained in the state and counter plans.

A number of substantial changes have taken place in the role of the labor collectives as well. They were granted extensive possibilities of actively participating in the elaboration and adoption of counterplans of economic organizations, influencing the shaping and exercise of their economic and social policy and ensuring the most efficient utilization, preservation and multiplication of the social wealth entrusted to them.

The new relations which developed between society or, respectively, its state, and the individual labor collectives were summed up in the following formula: "state-owner, labor collective-socialist property manager."

The accurate understanding of this definition demands some refinements. In this case the concept of manager is not covered by that of owner. Neither the individual economic organizations nor their labor collectives become the

owners of the productive capital and their output. Conversely, the proclamation of labor collectives as managers "...presumes," as Comrade T. Zhivkov emphasizes, "the preservation of the unity of the national ownership, which is now being exercised through its state form."

The same definition presumes a certain separation between the manager and owner. The complexity of the problem is how to establish this demarcation line. Theoretically, it can be done two ways: the first is expressed in the suggestion of some economists that the labor collectives become the owners of national productive capital. This view was expressed by our colleague D. Yanchev. In our view, this is unacceptable, for it presumes that the management function becomes so greatly separated from ownership that the economic organizations and their labor collectives acquire the possibility of handling in full the allocated productive capital and the results of their output. Such a full autonomy of economic organizations as commodity producers, although socialist, demanded by this group of economists, would mean to isolate them from each other to an extent in which they would have identical but by far not shared interests. Yet, as practical experience in some countries has confirmed, this greatly hinders the normal functioning of national property and, particularly, its expression as a unified social organism.

The second possibility is that of assigning by the owner the labor collectives with the implementation of some management functions related to the mechanism of utilization of national property on the microlevel. The importance of such functions is determined by the fact that it is precisely on this level that the manpower actually comes in contact with productive capital and that the level of its efficient utilization is determined by the specific activities of the working people. In this case the labor collectives act as partial managers of nationwide productive capital and, together with the overall manager--the socialist state--performs specific functions in the implementation of the complex mechanism of exercising national ownership of productive capital.

However, even within this framework the definition "labor collective-manager of socialist property" has a rich social content determined above all by the status of the working people as equal co-owners of nationwide productive capital. It concretizes their basic obligation, stemming from this circumstance, as members of a socialist association regarding the "very foundation" of the new society which they themselves are building. Granting the labor collectives specific management functions allows them to feel even more directly the fact that the state property, as property of the nation, is also theirs. All of this will contribute to the faster elimination of a noted certain alienation of some of the working people from public productive capital and outliving the negative attitude toward state property, alien to the nature of our society. New conditions appear for developing the initiative and creative efforts of the working people. On the other hand, the created possibility of their more direct and fuller activities as co-owners of public property will contribute to strengthening their feeling of being the full masters of their personal and social life.

Consequently, the definition "labor collective-socialist property manager" expresses not only or merely structural-organizational relations, which develop on the basis of the production-technical autonomy of the structural units within the state ownership system, but above all one of the essential features of this ownership, the mechanism of its functioning and realization as national ownership of productive capital.

This leads to the conclusion that the conversion of the labor collectives into true managers, within the already delineated framework, is a major step in the development of the state form of socialist ownership through the further intensification of its nationwide character. It is precisely this that, in the final account, defines the social significance of this phenomenon.

Professor Dr of Economic Sciences Kiril Kiryakov: Let us stress in this connection that broadening the rights of collectives and economic organizations and giving them the full opportunity for managing does not mean absolutizing the principle of their autonomy. This helps to achieve a dialectical unity between centralism and democracy and a fuller exercise of the unity of rights and responsibilities of collectives and individual working people. The extent to which this can be accomplished in practice depends exclusively on the system of national economic planning and management and the economic mechanism, which are developing steadily. It is precisely here that the great role of science lies, not in the sense of developing prescriptions, for no such prescriptions exist. However, on the basis of the theoretical achievements and summations of social practice, science can indicate the ways and means for more efficient management decisions. For example, this applies to the extent to which the mechanism ensures the real autonomy of the economic organizations in seeking and finding the most efficient solutions in the implementation of planned assignments or blocking possibilities of obtaining greater income with relatively less effort on the part of the collective. The question of management raises another very important question: does the mechanism help us to achieve a relative equalization of economic conditions for work in the economic organizations, so that the net result of the quality of management can be manifested in full, and till we ensure in practice planning based on the real possibilities of economic organizations and the economy as a whole, taking the demand of the market into consideration. This is a series of questions which directly stems from our topic but is not exhausted by its formulation. This should be the subject of a separate discussion.

Docent Nedyalko Belev: From the very definition of the nature and content of ownership it follows that in principle the owner is also the manager of productive capital. This is because the exercise of possession and handling by a given individual or a group of individuals means nothing other than that they are their managers. He or they are the individuals who manage and who, in order to obtain maximal benefits from their use and the fullest possible satisfaction of their requirements, care for them, protect them from damages and use them most economically and most productively. That is why under socialism, as the owner of productive capital, society is basically both its owner and manager. These qualities are manifested in the fact that the organization and undertaking of the production of material goods with the help of national capital essentially takes place on behalf of and at the

expense of the entire society and that the produced commodities are initially appropriated as common ownership. However, in practice the exercise of ownership and management by society, by such a large community of people, is possible only through a system of state economic organs created by and representing society. For this reason, individuals and individual production collectives realize their position as co-owners and managers of all national capital and the capital with which they work, not directly but indirectly, through this system of organs.

With all this, however, the national ownership of productive capital turns all members of society into working people. In this case the individual is realized as the co-owner of productive capital only to the extent to which all working people are realized as such. That is precisely why they secure economically their status as co-owners of such capital by participating in the distribution of the material goods initially appropriated by society on the basis of the quantity and quality of their individual work, i.e., on the basis of distribution according to labor, and the economic realization of their status as owners, distributors and managers of their own manpower. To the extent to which they participate in distribution according to labor, their income directly depends not only on the quantity of the labor they have expended but on its productivity. They are materially interested not only in improving their qualifications and individual dexterity and skills but also taking care of the productive capital with which they perform their work within the brigade, protecting it from damages and, in the final account, using it economically. For this reason, although they are not the direct owners of the productive capital with which they work, if wages based on labor have been properly organized, their attitude toward the productive capital is one of ownership. In this sense and to that extent the workers are managers or become managers of the productive capital with which they work in the brigade and at their individual jobs while their managers become the managers of the productive capital of the enterprise as a whole.

Naturally, the extent to which society is the owner and manager of all productive capital, it may, should it deem it necessary under certain conditions, grant the ownership of such facilities to production collectives, a principle followed by Yugoslavia. At that point they can, as owners, become the managers of such capital used in the production of material goods. However, the fact that they could be such managers does not mean that it is objectively necessary to become such, as some economists claim. "Relations between the state (the owner of productive capital) and the economic organization are objective production relations, relations between the owner and the possessor of the same productive capital,"¹⁸ writes Prof Zh. Aroyo. We cannot accept this claim, for according to it the only possible and, consequently, objectively necessary form of organization of the functioning of national property is the separation of possession from ownership of productive capital and the conversion of the production collectives into managers of such capital, acting as their owner.

Professor Dr of Economic Sciences Kiril Kiryakov: One of the most topical problems of the theory and practice of socialist ownership is that of the nature of the state and the cooperative form of ownership and the ways leading to their rapprochement and merging.

As we emphasized, our socialist development and the building of a developed socialist society is based on state ownership, acting autonomously along a wide front and in the most decisive economic sectors. The cooperative form of ownership is established in the course of the development process. Historically and by virtue of some existing characteristics of our development, its separation as a process began immediately following the socialist revolution, although the nationalization of big industry and the mines took place 3 years later, by the end of 1947.

The development of the cooperative form of ownership in Bulgaria went through several stages, each one of which was characterized by corresponding forms of organization and management of agricultural production, which as a topic, I presume, will be discussed in greater detail by a participant in this meeting. This development and change of the cooperative form of ownership, in our view, both so far and in the future, until the single ownership of the whole people has been established, has one particularly typical feature against the background of which all other processes and phenomena take place. We know that during the period of building socialism the cooperative form of ownership expressed the relationship between society as a whole and the individual member of the cooperative through the relationship between society and the individual production collective as an autonomous economic unit. On the other hand, the cooperated peasants, together with the workers and the remaining working people, are also "co-owners" of the national property. Such "co-ownership" is expressed by the individual cooperative farmer not "directly" and not alone, but through the collective of the cooperative organization. The cooperative farm as a whole enters into a relationship with society and with national property and represents its members to it. This gives birth to a number of characteristics of the reproduction and social processes. As production forces develop and production relations advance, the relative autonomy of the cooperative enterprises becomes increasingly adapted to the national economic criteria and requirements. The fact that the cooperative form of ownership is created and, something which is particularly important, develops under conditions in which national ownership has a predominant and leading role in the national economy and is gradually exerting an increasing influence on cooperative ownership indicates that it (cooperative ownership) is hardly an entirely autonomous form of ownership along the entire chain of the reproduction and social processes. Elements which coincide partially or fully with the qualitative nature characteristic of national ownership appear at a certain stage in the development of cooperative ownership. This determines the historically transitional nature of the cooperative form of ownership. Although it is a stage in the development of socialist society, it experiences changes which give it national economic features.

Particularly important and basic in this connection is the aspect of the nature of the very process of development of cooperative ownership before the maturing and rapprochement to a level at which, on the basis of quantitative and qualitative changes in both forms, the necessary conditions and prerequisites for their conversion into a single national ownership of the developed socialist society are created. In the areas of general theory and practice the dominant concept on this problem is that before emerging on the national

economic level the respective processes must develop and mature above all on the sectorial level, i.e., the cooperative sector in agriculture must rise in its basic socioeconomic dimensions to the level of the state sector within agriculture itself and, on this basis and from these positions, come closer to national ownership in the other sectors. This is explained by the clearly demarcated social sectors--cooperative and state--of public agriculture in the other socialist countries. In our country this process did not develop the features characteristic of the other socialist countries. After the socialist reorganization of Bulgarian agriculture was completed, the ratio between the cooperative and state sectors in agriculture (in terms of some basic indicators) was 93-95:7-5. In all remaining European socialist countries, including the USSR, by virtue of the previously existing revolution in the large land and, in some places, even feudal ownership, this ratio between the cooperative and state sector was, respectively, 70-75:30-25. This is one of the reasons for which in our country the process of enhancing the cooperative sector to the level of the state sector in agriculture was avoided or, at least, did not become a stage in the development of cooperative ownership. The latter had as its partner state ownership in general and, particularly in the sector with which the agricultural reproduction process shares a single economic foundation in terms of the planned development of the national economy--food and light industry, machine building, chemistry, and others. This characteristic predetermined the relatively short time of converting to a single management and single organization in the public agricultural sector and its fullest possible integration with the national economic complex with all entailing consequences and phases of the reproduction process, such as production, distribution, trade and consumption.

According to some views, once cooperative ownership has reached the level of state ownership, the two will merge within a future single national ownership. Actually, these two processes cannot be separated either in terms of time or scope and level. Social development and, specifically, the experience of the Bulgarian People's Republic, in the channeling and development of these processes proves that the steady development and improvement of state and cooperative ownership and their interpenetration and enrichment legitimately lead to their gradual rapprochement and merger within a single national ownership.¹⁹ In support of this idea let us emphasize that the development and consolidation of the agroindustrial complex marks the reaching of the highest level of socialization within the framework of the unified agricultural and other agroindustrial organizations and is a determining prerequisite in the implementation of the process of rapprochement and merger of the two basic forms of ownership not only in individual units but on a global national economic scale. As a theory developed at the beginning of the 1970s by our party and reflected in its program as well as a practice systematically implemented in the course of the past decade, the rapprochement and merger of state with cooperative ownership could be considered Bulgaria's contribution to the solution of this major socioeconomic problem of building socialism. A similar assessment may be found in the writings of noted Soviet scientists as well.

Senior Scientific Associate Koycho Petrov: Determining the nature of the two basic forms of socialist ownership--state and cooperative--and their common

features and differences is one of the main directions in theoretical work. In previous economic studies unity between state and cooperative ownership is explained in terms of the "similarity of their social nature," which means that "they represent the same type of socialist ownership of productive capital" or are different only in terms of scope and degree of socialization of productive capital. It is considered that state ownership extends on the national economic scale and means that productive capital is national property; the state sector covers the basic sectors of the national economy with a higher level of production forces. This is the mark of a more mature or superior form of socialist ownership. Unlike it, cooperative ownership developed at a lower level of production forces on the scale of the individual enterprise, collective or group as a lower or less mature form of ownership and is developing as socialist "...thanks to the domination of national ownership and the leading role of the working class under the conditions of the proletarian state."

This general concept of the unity and differences between state and cooperative socialist ownership in reality affects only some externally visible aspects of phenomena and processes--juridical and organizational-economic relations. For this reason we can quite legitimately question its theoretical and methodological substantiveness.

First of all, we cannot accept as accurate the main feature of the argument to the effect that state and cooperative ownership represent the same type of production relations or obey the same economic laws. This essentially rejects or excludes the possibility of the existence of the two forms of ownership. On the other hand, the explanation of the differences between them in terms of the level of production forces means replacing the study of production relations with universally valid characteristics of socialization processes, production concentration and so on, or else, which logically stems from the first assertion, admitting the existence of as many forms of ownership as there are differences in the level of production forces and in the individual production facilities, sectors and activities (they are abundant!).

This basic methodological shortcoming of the current view on socialist ownership becomes most clear when we try to analyze the processes of rapprochement and merger of state with cooperative ownership. It turns out that if state and cooperative ownership are based on the same type of production relations and that the differences are caused by the different levels of production forces, their development, rapprochement and merger are reduced to the quantitative growth of the same components--production relations--which have permanent properties which can change nothing but the level of their manifestation and not their nature.

Most authors claim that cooperative ownership has still not become national.

According to another group of authors agroindustrial combine ownership is of an intermediary nature ("neither fish nor fowl" as the saying goes), i.e., it is no longer cooperative but is not state as yet. Its situation is defined as "one of the transitional forms to a single national ownership."

Of course, there also are authors who, regardless of the lack of theoretical work on the problem, simply take facts as the criteria of truth for the purpose of their research. Taking into consideration the actual blending of state with cooperative ownership, they act correctly by rejecting the traditional division of people working in agriculture as cooperated farmers in cooperative labor farms and workers in state farms, machine-tractor stations and industrial-agrarian complexes.

In my view, the sameness of the socioeconomic nature of cooperative and state ownership, abstraction made of the differences already noted, is actually based on the identical socialist economic relations and laws which govern the production of material goods in the entire national economy (state and cooperative sectors). On that level differences in production forces are indeed a criterion of the maturity of production relations. This, however, applies to all sectors and production facilities, rather than relations between the two basic social economic sectors--the state and cooperative. These differences, within the limits of identical production relations, are surmounted to the level to which the national economic complex is shaped as a developed and complex dynamic system.

From the viewpoint of the similarity and differences in the production relations system, consequently, cooperative ownership is a variety of state socialist ownership or, respectively, cooperative enterprises are a variety of state socialist enterprises. On this economic base the social interrelationship between the working class and the cooperated farmers has an exceptionally friendly socialist mutual aid and cooperation nature.

Senior Scientific Associate Nikola Vulchev: The processes of development of and rapprochement between the two forms of ownership can be properly understood only on the basis of the socialization of agricultural production and its integration with industry.

The dynamically developing processes of agricultural production concentration and integration with industry and some other national economic activities resulted in significant structural, organizational-economic and socioeconomic changes in the agricultural sector.

The main results of the rising level of agricultural production socialization may be reduced to the following: first, increased intensiveness and change in the nature of production relations between agriculture and industry and some other national economic areas and activities. Second, and directly related to the first, is broadening the framework of socialist cooperation of labor, initially contained within the limits of cooperative agricultural enterprises but now operating on the level of modern agricultural organizations. Third, the conversion of agricultural labor cooperation from unisectorial to multisectorial in enterprises and organizations of the agroindustrial type and scientific and scientific-production complexes and trusts. This process leads to the increased complexity of forms of isolated labor cooperation within the agroindustrial area and to raising its level closer to that of the nationwide cooperation of labor.

All of this is reflected on the system of production relations in the agroindustrial area and, above all, on ownership. The level of cooperative ownership in agriculture rises close to the level of state ownership. The similarity of these levels accelerates the processes of their interpenetration and the conversion of cooperative into state ownership and into enterprises and organizations of the agroindustrial type, or to so-called "integrated enterprises and organizations." The organizational-economic forms within which this process takes place are based on state and cooperative enterprises and organizations such as, usually, industrial-agrarian complexes and other production and scientific-production complexes and trusts.

Ownership changes become the material foundation of changes in the mechanism governing the formation and distribution of income in agriculture and the virtually total identification of this mechanism with that of the formation and distribution of income within the entire national economy. All that remain are a few differences related to durable sectorial features. Essentially, this means the elimination of disparities in the realization of cooperative and state ownership forms. This also marks the elimination of the relatively greater economic autonomy of agricultural enterprises and organizations. Agricultural production thus becomes entirely subordinated to the planning principles and national interests.

The increased intensiveness of production relations between agriculture and industry, on the one hand, and changes in ownership and the economic autonomy of agricultural enterprises and organizations, on the other, lead also to surmounting the autonomy of the reproduction process which takes place within their framework and to changes in the position held by agriculture within the single reproduction process in the agroindustrial area and on a national economic scale.

The existing investment mechanism in agriculture, although consistent in its most general lines with said changes, does not take into consideration with sufficient accuracy and completeness, in a number of its features and details, the changed place of the sector within the single national economic reproduction process and the need for the redistribution of reproduction functions in favor of higher levels of the organizational-economic structure of the agricultural sector and of the socialist state. To begin with, we still face a type of national structure of expanded reproduction capital at all levels, not entirely consistent with the corresponding functions of the National Agroindustrial Complex and the okrug industrial unions. On the one hand, they are called upon to develop and implement the strategy and tactics of the investment process in agriculture; at the same time, however, these functions are not supported by corresponding financial funds.

Secondly, let us point out a lack of a mechanism which channels state budget funds and the centralized funds of the National Agroindustrial Union toward the total or even partial financing of large investment projects related to the installation of technological lines for the comprehensive mechanization and automation of production processes, a more scientifically substantiated and long-range national program consistent, on the one hand, with the needs of the sector and, on the other, production assignments.

Professor Dr of Economic Sciences Kiril Kiryakov: Further thoughts and considerations could be expressed. Let us complete our discussion now, allowing the editors to offer the opportunity to anyone who would like to express his view on this problem with an article to do so.

Allow us once again to thank you for your participation in this discussion. We hope that the views you have expressed will contribute to the further clarification of these important and complex problems of economic theory and social practice.

FOOTNOTES

1. T. Zhivkov, "Da Vupluchim v Realni Dela Resheniyata na XII Kongres na Partiyata" [Let Us Embody in Real Accomplishments the Resolutions of the 12th Party Congress]. Partizdat, Sofia, 1982, p 25.
2. "Programa na Bulgarskata Komunisticheska Partiya" [Program of the Bulgarian Communist Party]. Partizdat, Sofia, 1971, p 58.
3. K. Marx and F. Engels, "Such." [Works], Vol 12, p 712.
4. V. I. Lenin, "Such.," Vol 5, p 118.
5. K. Marx and F. Engels, "Such.," Vol 16, p 28.
6. Ibid., Vol 12, p 711.
7. Ibid., p 712.
8. Ibid., Vol 4, p 167.
9. Ibid., p 317.
10. Ibid., Vol 16, p 28.
11. Ibid., Vol 27, p 375.
12. T. Zhivkov, "Osnovni Polozheniya na Partiynata Kontseptsiya za Noviya Kodeks na Truda" [Basic Stipulations of the Party's Concept of the New Labor Code]. Partizdat, Sofia, pp 120-121.
13. See K. Marx and F. Engels, "Such.," Vol 2, p 527.
14. Yu. V. Andropov, "K. Marx's Theory and Some Problems of Socialist Construction in the USSR." Partizdat, Sofia, 1983, p 8.
15. K. Marx and F. Engels, "Such.," Vol 20, p 317.
16. Ibid., Vol 23, p 91.

17. "Once society has assumed possession of productive capital and uses it in a directly summed-up aspect in production purposes, the labor of the individual, however different its specific useful nature may be, immediately and directly turns into social labor" (K. Marx and F. Engels, "Such.," Vol 20, p 317.
18. Zh. Aroyo, "Ikonomicheskite Protivorechiya pri Sotsializma" [Economic Contradictions Under Socialism]. Partizdat, Sofia, 1981, p 186.
19. "Programa na Bulgarskata Komunisticheska Partiya." Partizdat, Sofia, 1971, p 51.

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FOREIGN TRADE, ECONOMIC DEVELOPMENT DURING 1970'S EXAMINED

Sofia IKONOMICHESKA MISUL in Bulgarian No 8, 1983 pp 42-53

[Article by Lyubomir Khristov: "Bulgarian Foreign Trade and Economic Development at the End of the 1970s: Problems and Prospects." Signed to press 28 April 1983]

[Text] Drastic changes took place in the global economy during the 1970s. They created new requirements in the functioning of the reproduction process in all countries. The influence of changed foreign economic conditions on small countries with an open economy was particularly strong.

In most of them it was manifested in a lasting disturbance of their foreign economic balance. Intensifying deficits in their balances of payment led to disturbances in the normal rhythm of economic processes and, beyond a certain limit, are threatening the living standard reached by the population and their social stability.

Under these circumstances the equalization of the balance of payments objectively became a difficult imperative which, in the short term and, to a certain extent, in the medium term, subordinates to itself the remaining objectives of socioeconomic development.

The question arises of how is the Bulgarian economy reacting to the foreign economic changes which have taken place and what are the possibilities and problems which this reaction causes in terms of its further development.

These changes appeared first of all in the world capitalist market and affected mainly our trade with the nonsocialist countries. They were manifested in the fast increase in the overall price level and changes in the ratios of prices of different commodities. As a result of this, the "trading conditions" indicator for energy and raw material importers and the exporters of traditional finished goods worsened.

The problem of equalizing the foreign trade balances of the socialist countries in terms of convertible currency intensified also as a result of the impossibility of ensuring a substantial quantitative increase in exports to the developed capitalist countries. This has to do with the cyclical crises which affected the Western countries starting with the mid-1970s and the beginning of the 1980s, and the restrictive measures which they took to block imports of some products, particularly those from the socialist countries.

The instability of "East-West" economic relations was enhanced also as a result of the monetary crisis which broke out during the 1970s. The degree of financial risk which accompanies trade with Western countries increased. The high nominal and actual level of interest rates, which worsened servicing the foreign debts of the socialist countries, was another factor of stress in trade with the developed capitalist countries at the beginning of the 1980s. Let us add to this the practical impossibility of obtaining new commercial credit from most of them after 1981.

From the formal viewpoint, the share of the nonsocialist countries in Bulgaria's foreign trade does not exceed 20-25 percent. The importance of said changes in world trade in terms of our economy, however, is based less on this percentage than on the fact that, on the one hand, changes (above all in the level and ratio of prices) are reflected, although with a certain delay and partially only, on trade conditions within the framework of CEMA and, on the other, the fact that they are based on irreversible structural changes.

Consequently, reaching a foreign economic balance calls for the adaptation of the national production complex to the changed conditions of raw material and energy supplies and the changed requirements concerning the type and quality of exported goods. The specific means of shaping contract prices within CEMA merely eases conditions and lengthens the time for such adaptation without, however, eliminating the need for it.

If we proceed from the stipulation that the problems facing countries with worsened "trading conditions" in their foreign economic relations are a reflection of lasting changes in the global economy and trade, obviously their solution calls for improving the efficiency of the entire reproduction process. From the economic viewpoint this means changes in the ratio between production factors which characterized the preceding period, adapting to the new requirements our equipment and technologies, upgrading the quality of produced goods, and introducing structural changes based on scientific and technical progress. Therefore, in the future as well, foreign trade conditions will increase the pressure of foreign economic factors requiring the intensification of the reproduction process. At this point, the question could be turned around: does the combination of said circumstances in the international market and the country's foreign trade policy as it was by the end of the 1970s create prerequisites for meeting this requirement?

The various measures which a given country with a disturbed foreign economic balance could take to restore it may be classified into two groups, depending on the time needed for the manifestation of their results.

1. Short-term measures include activities which result in the equalization of the balance of payments at the expense of foreign exchange reserves and increased foreign indebtedness of the country at the expense of slowing down the pace of economic growth and reducing and engaging in a certain restructuring of the domestic consumption of the national income related to lowering import requirements or (and) increasing export resources.

2. The long-term measures include above all those which lead to the growth of the export potential. It is a question of increasing export resources,

restructuring exports and enhancing the efficiency of production outlays, thus compensating for the worsened "trade conditions" indicator, and improving the quality and competitiveness of exports. This group also includes measures related to reducing import requirements through investments related to creating and mastering resource-conserving technologies.

The measures of the first group are short-term, for lowering expenditures or increasing resources are achieved through an interference (initially at least) mainly in the realm of their distribution. As a result of such measures resources are quickly harnessed and redirected with a view to equalizing the foreign trade balance. However, their possibilities become quickly exhausted.

The second group involves increasing exports and structural export changes with limited production resources and the aspiration to surmount or at least lower such limitations. As a rule, such steps call for technical changes in material production. Their results become apparent after a longer period of time. However, they are related not merely to the elimination of the symptoms but the reasons for the disturbance of the foreign trade balance.

A close connection as well as a certain contradiction exist between long-term and short-term foreign economic policies. Basically, the short-term methods provide a "respite" to the affected economy and the possibility of waiting out the period during which the effect of long-term interference will be manifested. At the same time, the crossing of a certain line (which is always specific, for which reason it is difficult to cross) in the application of short-term measures may undermine the aspiration to enhance efficiency and intensify the export ability of the economy either as a result of the excessively increased foreign indebtedness pressure in the distribution of the national income or a slowdown in the innovation processes as a result of excessively restrictive measures.

Let us try to "break down" the reaction of our economy into short-term and long-term components and identify their interaction.

A comparison among some CEMA-member countries is a base for assessments and conclusions (GDR, Hungary, Romania and Czechoslovakia). We know that these countries (including Romania, particularly after 1978) are importers of energy sources, so that all of them are suffering losses from the worsened "trade conditions." We proceed from this prerequisite and look at their behavior rather than at the extent to which their economies have been affected by the faster growth of import compared to export targets. This is the reason for which the data are studied in terms of current prices.

Trade is the basic channel for relations between said countries and the global economy. For this reason (and also because of lack of data on the so-called "invisible" items of the balance of payments) the study is limited to foreign trade only.

More specifically, we are interested in the following questions:

1. What is the condition of the balance of trade shaped under the combined influence of changes in the levels and ratio of prices in the respective markets and the dynamics of the physical volume of exports and imports?

2. What is the influence on the thus-developed change in exports, imports and balances of their structure broken down by commodity sections, and what type of trends of change have developed within it?

Table 1--Foreign Trade Balance*

(in million rubles)

(1) Страна	1970 r.	1971 r.	1972 r.	1973 r.	1974 r.	1975 r.	1976 r.	1977 r.	1978 r.	1979 r.	1980 r.
(2) HPG	+156	+56	+51	+22	-366	-533	-182	-31	-117	+234	+475
(3) YHP	-133	-389	+162	+410	-247	-647	-577	-680	-1645	-667	-454
(4) GDR	-239	+85	+232	-248	-669	-896	-1367	-1721	-973	-857	-1250
(5) CPP	-93	-2	-11	+174	-201	0	+31	+3	-570	-798	-767
(6) USSR	+87	+153	+210	-61	-345	-509	-483	-620	-545	-700	-150

Key:

- | | |
|-------------|-------------------|
| 1. Country | 4. GDR |
| 2. Bulgaria | 5. Romania |
| 3. Hungary | 6. Czechoslovakia |

* Computation based on "Statistical Yearbook of CEMA-Member Countries 1981," 1981, p 333; "Statistical Yearbook of CEMA-Member Countries, 1976," 1976, Moscow, p 339.

The data indicate that during the period of "calm" circumstances (1970-1973) Bulgaria's foreign trade balance was invariably positive. The balances of the other CEMA-member countries included in this comparison were also positive. After 1974 (Romania after 1978), the countries had foreign trade deficits not comparable to the preceding period. Bulgaria's situation stands out against the background of this general statement. It was the only one among the European CEMA-member countries (excluding the USSR) to show a positive balance of trade for 1979 and 1980. The surplus of exports over imports during those 2 years largely compensated for the deficit which had accumulated during the previous years. Thus, for the 1970-1980 period as a whole Bulgaria had a negative balance of 235 million rubles compared with 2.2 billion for Romania, 3.0 billion for Czechoslovakia, 4.9 billion for Hungary and 7.9 billion for the GDR.

The country's economic development was influenced not only by the overall condition of its balance of trade but also by type of currency. A certain idea of this situation, although indirect and incomplete, is provided by the data on the balance breakdown by groups of countries (Table 2).

The data of Table 2 lead to the conclusion that toward the end of the 1970s Bulgaria reached an overall positive balance of trade as a result of its

Table 2--Foreign Trade Balance by Group of Countries*

(in million rubles)

Страни (1)	1970 г.	1973 г.	1975 г.	1977 г.	1980 г.
(2) НРБ:					
социалистически страни (3)	+175	+25	-116	-20	-176
развити капиталистически страни (4)	-58	-58	-628	-284	-16
развиващи се страни (5)	+39	+55	+211	+273	+667
(6) УНР:					
социалистически страни (3)	-73	+409	-187	+244	+174
развити капиталистически страни (4)	-54	+18	-402	-786	-734
развиващи се страни (5)	-6	-17	-58	-138	+96
(7) ГДР:					
социалистически страни (3)	+23	+332	-102	-634	-132
развити капиталистически страни (4)	-263	-619	-758	-975	-1162
развиващи се страни (5)	+3	+40	-35	-113	+44
(8) СРР:					
социалистически страни (3)	+16	+205	+98	+57	+173
развити капиталистически страни (4)	-165	-89	-410	-54	-940
развиващи се страни (5)	-49	+57	+312		
(9) ЧССР:					
социалистически страни (3)	+103	+70	-253	-179	-166
развити капиталистически страни (4)	-120	-172	-405	-518	-304
развиващи се страни (5)	+104	+41	+150	+77	+320

Key:

- | | |
|-----------------------------------|-------------------------|
| 1. Country | 5. Developing countries |
| 2. Bulgaria | 6. Hungary |
| 3. Socialist countries | 7. GDR |
| 4. Developed capitalist countries | 8. Romania |
| | 9. Czechoslovakia |

* Based on the "Statistical Yearbook of CEMA-Member Countries, 1971." 1971, Moscow, p 342; 1974, p 333; 1976, p 341; 1978, p 325; 1981, p 335.

almost balanced trade with the developed capitalist countries and its positive balance from trade with the developing countries, whereas the main role in the negative trade balances of the remaining countries with which this comparison is made is their negative balance of trade with the developed capitalist countries.

We must answer the question of how and, consequently, at what cost, this result was achieved.

For all the countries with the exception of Romania the period from 1975 to 1980 was characterized by faster exports compared with imports. This was achieved through different means and in different degrees.

The GDR slowed down the growth of both its imports and exports. The developed ratio between the average annual growth rates of imports and exports is such as to result in no more than retaining the deficit in the trade balance.

Characteristic of Bulgaria and Czechoslovakia is the preservation of the dynamics of exports between 1975 and 1980 compared with the preceding 5 years and a slowdown in the growth of imports. This slowdown was particularly drastic in Bulgaria. In terms of the growth of the national income it was both absolute and relative. Whereas for the 1970-1975 period, in terms of the imports elasticity coefficient compared to the national income, Bulgaria led the other countries, between 1975 and 1980 the country was in the last position. The process of opening the Bulgarian economy to imports was slowed down sharply. This is what distinguishes it most vividly from the other countries under consideration.

Clearly, the slowdown of the growth of imports was the main factor which led to the restoration of the country's foreign trade balance by 1979.

Hungary's behavior was precisely the opposite. In that country the favorable ratio between the growth rates of imports and exports was achieved in the course of their significant acceleration; the acceleration was relative as well in terms of national income index. According to the coefficient of the elasticity of exports and imports compared to the national income, Hungary far outstripped the other countries during the second half of the 1970s.

Similar results are achieved also by comparing the dynamics of exports and imports by group of countries (Table 3). The study of the data indicates that an approximately similar distribution in the growth of exports and imports by group of countries was characteristic of Czechoslovakia and the GDR and, to a certain extent, Romania. A different situation prevailed in Hungary and Bulgaria. The rates at which their imports (exports) from and to the developed capitalist and the developing countries, on the one hand, and from (to) the socialist countries, on the other, was substantially different. In the case of Hungary a trend of increased share of the nonsocialist countries in both exports and imports may be seen. Bulgaria's exports to these countries grew faster than its overall exports, which tended to increase the share of these exports. The pace at which our imports from the developed capitalist and the developing countries increased was considerably below the growth of our imports from CEMA-member countries. Bearing in mind the price indicators it is likely that the physical volume of our exports from the developed capitalist countries declined.

This difference in the dynamics between Bulgarian imports and exports with the nonsocialist countries resulted in a trade balance in convertible currency.

The study of import and export data totally and by group of countries leads to the conclusion that Bulgaria and Hungary stand out in terms of the results of their very active foreign economic policy. Both countries were able to end the trend which had developed during the first half of the 1970s of faster growth of imports compared with exports. This result, however, was achieved through entirely different means.

We are faced with the consequences of a restrictive anti-import policy, particularly toward the nonsocialist countries. Hungary, meanwhile, relied on

Table 3--Average Annual Rates of Exports and Imports
by Group of Countries* (in %)

Страна (1)	Износ (2)			Внос (3)		
	1970— 1973 г.	1970— 1975 г.	1975— 1980 г.	1970— 1973 г.	1970— 1975 г.	1975— 1980 г.
(4) НРБ:						
социалистически страни (5)	11.0	10.1	11.7	15.5	18.3	11.5
развити капиталистически страни (6)	8.6	4.7	27.3	4.2	24.8	2.9
развиващи се страни (7)	14.8	26.3	19.5	16.1	16.2	8.5
(8) УНР:						
социалистически страни (5)	17.1	16.1	14.1	7.5	16.4	12.0
развити капиталистически страни (6)	13.8	7.9	32.0	9.7	14.6	27.2
развиващи се страни (7)	7.5	14.0	34.0	9.4	17.7	26.5
(9) ГДР:						
социалистически страни (5)	10.5	12.5	8.8	7.7	13.1	8.8
развити капиталистически страни (6)	12.6	13.4	11.8	17.8	16.0	11.0
развиващи се страни (7)	7.5	13.8	21.6	0.6	16.6	18.0
(10) СРР:						
социалистически страни (5)	14.2	13.6	14.0	9.1	12.8	14.1
развити капиталистически страни (6)	26.7	18.8	16.2	11.7	13.9	19.6
развиващи се страни (7)	16.6	40.0		12.7	11.5	
(11) ЧССР:						
социалистически страни (5)	9.0	11.6	10.9	9.7	13.9	10.1
развити капиталистически страни (6)	11.5	10.8	13.5	11.7	13.9	9.7
развиващи се страни (7)	1.6	10.3	11.8	12.7	11.5	9.6

Key:

- | | |
|-----------------------------------|-------------------------|
| 1. Country | 7. Developing countries |
| 2. Exports | 8. Hungary |
| 3. Imports | 9. GDR |
| 4. Bulgaria | 10. Romania |
| 5. Socialist countries | 11. Czechoslovakia |
| 6. Developed capitalist countries | |

* Computed from the "Statistical Yearbook of CEMA-Member Countries, 1971," 1971, Moscow, p 342; 1974, p 333; 1976, p 341; 1978, p 325; 1981, p 335.

Increasing its exports essentially to the developed capitalist and the developing countries with a certain, although slight, slowdown in the growth of its foreign trade with CEMA-member countries. A characteristic feature in this case was a rapid growth of imports from the nonsocialist countries. The price paid for such a policy with an export orientation and an opening toward developed capitalist and developing countries is a slowly declining foreign trade deficit, both total and in convertible currency. The negative trade balance led to an increase in Hungarian indebtedness in convertible currency by the end of the 1970s and was a prerequisite for the increased economic difficulties experienced by the country at the beginning of the 1980s caused by high interest rates. Servicing the foreign debt is absorbing an increasing share of the income in foreign currency and is delaying the country's economic development.

The foreign economic policy pursued by Bulgaria toward the end of the 1970s ensured the type of ratio between exports and imports in our foreign trade which led to stabilizing the country's indebtedness and even to its decrease in convertible currency. For this reason, Bulgaria is largely protected from the changes on the Western capital market which took place at the beginning of the 1980s and were unfavorable to the debtors. This creates conditions for a painless domestic economic development. Furthermore, Bulgaria is not forced to accelerate its exports at any cost with a view to earning foreign exchange to cover its annual obligations. This also strengthens the reputation of the country as a reliable payor.

We noted that this result was achieved at the expense of a drastic slowdown in the increase of imports (in current prices). Our experience indicates that this is an effective means for achieving a balanced foreign trade on a short-term basis. This, however, could slow down the processes of updating and adaptation of the national production machinery. In order to avoid this delay we must increase the efficiency of the economy which, particularly in the case of small countries, involves imports.

This assumption is related, above all, to the volume and dynamics of the import of machines and equipment for industrial purposes, as well as the share of their participation in the national investment process.

The data indicate that the greatest slowdown in our country was in the pace of increased imports in the commodity section of "machines, equipment and transport facilities." The correlation between its pace and that of increased imports as a whole shows a reduction in their percentage of our overall imports. A similar and even more strongly manifested trend has been noted in Romania's trade, whereas Czechoslovakia, the GDR, and Hungary have maintained their pace of increased imports of machines and equipment on a level approximately equal to their averaged overall imports.

During the second half of the 1970s, in connection with a general decline in the pace of economic growth, investment activities in the socialist countries weakened. There has been a greater slowdown in the growth of imports of machines and equipment in our country compared to capital investments. This has reduced the share of imported equipment in capital investments. This decline was particularly drastic in 1979 and 1980.¹ During those years an absolute reduction of the volume in terms of value (based on domestic current prices) of imported machines and equipment was registered.

In turn, machine-building output exports developed at an above-average pace. Their volume was substantially affected by imports of machines and equipment because of their high relative share in overall exports. The 1975-1980 period, however, was characterized by a substantial drop in the pace of increased exports of machines and equipment compared with the preceding 5 years.

Machine-building exports in the remaining countries increased at a roughly average pace. Compared with the first half of the 1970s, between 1975 and 1980 exports slowed down in the GDR and Romania, while they accelerated in Czechoslovakia and Hungary. The acceleration achieved by Hungary was

Table 4--Average Annual Export and Import Rates
by Commodity Section* (in %)

Commodity (1)	Import (2)			Export (3)		
	1970-1973 r.	1970-1975 r.	1975-1980 r.	1970-1973 r.	1970-1975 r.	1975-1980 r.
(4) HPS	10.9	14.1	14.1	14.0	19.6	9.6
I	22.3	22.1	16.4	14.5	20.0	6.3
II	11.5	13.2	30.0	12.9	23.0	15.1
III	4.6	8.5	7.3	7.9	14.4	3.8
IV	3.1	6.4	10.9	13.8	17.1	6.5
V	5.8	23.8	12.7	10.4	12.9	12.0
(5) YHP	15.6	13.9	20.5	8.2	15.9	18.0
I	16.6	16.8	17.2	9.2	16.9	16.9
II	10.0	9.7	25.1	8.4	19.4	17.7
III	16.7	12.6	21.3	5.8	10.3	17.5
IV	14.9	12.9	16.7	7.3	14.1	19.9
V	21.5	13.3	36.0	7.9	17.6	20.5
(6) RLP	10.8	12.8	10.2	10.3	14.1	9.9
I	10.6	12.3	10.5	9.0	11.7	9.9
II	13.3	16.9	14.8	5.9	16.4	14.0
III	18.3	17.5	2.8	5.7	9.2	6.0
IV	4.8	7.1	9.1	20.2	19.2	7.4
V	14.5	16.6	10.6	17.9	29.3	5.6
(7) CPP	18.7	19.0	15.2	14.0	17.7	17.3
I	21.4	21.6	16.0	15.8	14.2	9.5
II	6.2	18.6	21.9	10.5	23.1	23.9
III	21.8	12.5	8.3	19.9	18.0	15.9
IV	20.2	11.7	14.3	8.2	7.7	11.9
V	22.7	13.1	12.5	9.8	15.7	16.4
(8) WCCP	9.0	11.3	11.5	10.4	13.8	10.0
I	7.8	10.3	12.5	13.5	15.6	10.6
II	7.2	12.1	9.0	11.5	17.7	12.9
III	10.4	11.0	15.5	7.1	6.6	8.3
IV	13.2	13.4	8.5	8.2	11.5	4.3
V	10.4	11.9	13.5	7.2	14.8	7.2

Key:

- | | |
|-------------|-------------------|
| 1. Country | 5. Hungary |
| 2. Exports | 6. GDR |
| 3. Imports | 7. Romania |
| 4. Bulgaria | 8. Czechoslovakia |

* Computation based on the "Statistical Yearbook of CEMA-Member Countries, 1981," 1981, Moscow, pp 333-334, 337-342; 1976, pp 339-340, 343-348.

Commodity sections:

- I. Machines, equipment and transport facilities;
- II. Fuel, mineral raw materials and metals;
- III. Raw materials and products of their processing (noncomestible), raw materials for the production of comestible goods, and comestible goods;
- IV. Industrial consumer goods;
- V. Chemicals, fertilizers, construction materials, etc.

insignificant. This country, whose exports increased the fastest in recent years, did not rely on machine-building in achieving this result.

This comparison shows that in not one of the countries under consideration were exports of machine-building output, although relatively "weighing" the heaviest, a factor in dynamizing overall exports.² The situation on the international markets did not favor their export by the socialist countries.

As a result of the slowdown of imports of machines and equipment and the relatively high growth rates of such output after 1977, Bulgaria became a net exporter of machine-building output. The active balance from such trade in labor tools compensates for some of the negative balance in trade in fuels, chemicals and mineral and other raw materials.³

This leads to the idea that if we were to rely on this section in terms of having an overall positive trade balance the likelihood is that we may have to reduce machine imports rather than expect any acceleration of exports.

Consequently, we could assume that if we allow the idea that the trend of equalizing the trade balance by reducing imports, including capital equipment, our foreign economic balance would be achieved at the expense of development prerequisites in the future. This way of balancing our foreign trade has a barrier behind which current problems can be resolved at the cost of future possibilities of production intensification.

During the second half of the 1970s we sharply reduced imports of agricultural raw materials and their processed products as well as industrial consumer goods. Exports of such items play an important role in our overall exports and in shaping our trade balance.

The increase in exports of agricultural raw materials and foodstuffs is slowing down. Its pace is lagging considerably behind the average, which lowers the share of reproducible raw materials and the product of their processing within our overall exports. The pace reached by our country is higher than that of the GDR and Czechoslovakia. The latter accelerated the pace of its overall exports between 1975 and 1980 also relying on the export of reproducible raw materials and the products of their processing. Its accelerated exports occurred mainly in this area. Countries which slowed down their overall export pace (GDR and Romania) showed a slowdown in this area as well.

The comparison with Hungary and Czechoslovakia indicates that our country, which has developed traditions in the production and export of such commodities, was unable to increase its foreign exchange resources through such exports in order to increase imports.

Exports, imports and the balance for the commodity group "Fuels, Mineral Raw Materials and Metals" are of considerable interest. The comparative study of the data in Table 4 shows that Bulgaria stands out in terms of the most drastic slowdown of the rates of imports in this area, accompanied by the most drastic acceleration of the pace of its exports, which reached their highest level. Although substantially slowed down, the average annual rates

of imports of fuels and mineral raw materials exceed those of Czechoslovakia and the GDR and are higher than our average. This results in a relative and absolute increase in import expenditures which exceeded outlays for imports of productive equipment in 1979 and 1980.

The drastic increase in exports and the relatively slower growth of imports in this section leads to the assumption that in recent years domestic fuel consumption has stabilized and even declined. Nevertheless, the negative balance in this commodity group has been rising with every passing year. It has steadily exceeded the positive balance for the raw material groups covering comestible and foodstuffs and industrial consumer commodities, which is one of the reasons for the efforts aimed at equalizing the trade balance by achieving a positive balance in the "machines and equipment for production purposes" section.

The study of the growth rates of imports by commodity section leads to the conclusion that imposed restrictions in this area have reached or almost reached the limit beyond which current production and consumption may be disturbed. This has necessitated a reduction, particularly in recent years, in the absolute amount and share of imports of production equipment.

The restoration of the foreign trade balance could be achieved with less or no reduction of increased imports providing that exports can rise faster.

In itself the fact that despite the worsened conditions during the second half of the 1970s Bulgaria was able to preserve the dynamics and to a certain extent even to accelerate its exports deserves high praise. In practical terms, however, the coefficient of elasticity of our exports compared to the national income, although higher compared to the 1970-1975 period, is on the same level as that of Czechoslovakia and Romania but is considerably behind Hungary. This indicates that no special export activities were developed.

This means that the structure, efficiency and quality of our exported goods, in combination with the conditions and requirements of the international market, have not favored the strengthening of the country's export positions. This conclusion is supported by the study of the dynamics of exports by commodity sections.

The conclusion is that Bulgaria was not able fully to harness its domestic production in order to use all existing possibilities of accelerating its exports. This applies essentially to the volume of exports of agricultural raw materials and comestible products.

The future opportunities for accelerating our exports will depend on the direction which will be assumed by the development of foreign economic conditions in the forthcoming period and the extent to which our agriculture and food and machine-building industries will be able to reorganize and adapt to them.

A condition close to a foreign trade balance, reached by the end of the 1970s, is an unquestionable success achieved by our country. The question,

however, is the extent to which the level reached in this balance could be considered stable.

The study of the data indicates that the positive balances achieved in the final 2 years of the period are the result, above all, of short-term distribution measures: drastically restricting the growth of imports in all areas and retaining the export dynamics (based on current prices) on the same level. It looks as though the possibilities of exerting further influence with these levers is nearing exhaustion. Reductions in the import of industrial equipment are an indicator of the fact that any further delay of the growth or reduction of imports of raw and other materials would be impossible without disturbing the continuity of the reproduction process within the country. The relatively high dynamics of exports in current prices is taking place with a relative drop in the cost of Bulgarian export goods. This is confirmed by the severe worsening of the "trade conditions" indicator, particularly for the 1975-1980 period.⁴

The quantitative growth of our exports are facing domestic and foreign limits.

The reaching of limits of growth of imports and the relatively lower rating which the international market is giving to our exports confirms the insufficient role played by quality factors in our foreign trade and, consequently, the fact that we have still not been able to energize the forces which would ensure a long-term and stable foreign trade balance--improvements in the production and export structure, enhancing their quality and technical standards and achieving an overall substantial improvement in the efficiency of economic activities.

Until this has been accomplished, both foreign trade imports and exports will have a restraining rather than stimulating impact on our economic growth. Economic development during the 1980s will largely depend on the extent to which we will be able to improve the ability of the economy to adapt to the conditions and requirements of the international market.

If we continue to apply the present method for balancing our foreign trade, related to delaying the growth and even reducing imports of industrial equipment, we could slow down the processes of updating capacities and output and thus hindering activities which would increase the adaptability of the economy and ensure a radical solution of the problem of the foreign trade balance.

With the exception of Hungary, the foreign trade policy followed by Bulgaria is identical to that of the remaining European CEMA members (excluding the USSR). The difference lies rather in the efficiency and timeliness of its implementation. We have not only reduced the deficit but have shown a positive trade balance; we have not only slowed down the pace of growth but reached an absolute drop in our indebtedness in convertible currency. Maintaining a Bulgarian positive balance of payments in its accounts with developed and developing countries⁵ offers the country greater opportunities of maneuvering under the difficult circumstances of the 1980s, possibilities which remain as yet unused.

FOOTNOTES

1. From an average 50 percent share of imported machines and equipment out of the overall capital investments in machines and equipment for 1970-1978, the share dropped to 40.4 percent in 1979 and to 38.5 percent in 1980 ("Statistical Yearbook of the Bulgarian People's Republic," 1976, p 119; 1981, p 132).
2. Although it may seem that Czechoslovakia is the exception, it reached a far greater acceleration in other export areas.
3. The "Machines and Equipment for Industrial Purposes" balance for 1977 and 1978 was, respectively, +327.9 and +391.1 million foreign currency leva, with a negative balance of payments; it was +696.8 and +1,016.4 million leva in 1979 and 1980, or higher than the positive balance of payments ("Statistical Yearbook of the Bulgarian People's Republic," 1981, p 333).
4. See St. Stoilov. "Development of the Bulgarian Economy and Problems of Its Intensification," in "Ikonomikata na Bulgariya — Problemi i Perspektivi," [The Bulgarian Economy — Problems and Prospects]. Bulgarian Academy of Sciences, Sofia, 1982, p 26.
5. See "European Economic Bulletin 1982," UN, 1982, Chapter 2.

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ECONOMIC RELATIONS WITH NIGERIA OUTLINED

Sofia VUNSHNA IURGOVIYA in Bulgarian No 8, 1983 pp 2-5

[Article by Spas Georgiev, deputy minister of foreign trade: "Foreign Economic Relations Between the Bulgarian People's Republic and the Federal Republic of Nigeria"]

[Text] The first Bulgarian-Nigerian symposium is to be held on problems of the social, economic and political development of the Federal Republic of Nigeria, Sofia, September 1983.

Relations with the Federal Republic of Nigeria play a particularly important role in the long-term strategy of development of foreign economic relations between Bulgaria and the developing countries, which was formulated in 1978-1979 with the personal participation of Comrade Todor Zhivkov, BCP Central Committee general secretary and State Council chairman.

Because of its economic potential, influence on the African continent and in the world arena, the "African giant," as Nigeria is frequently called, has a priority importance in the long-range foreign political and economic activities of the Bulgarian People's Republic. As Comrade Todor Zhivkov emphasized during the visit which Alhaji Shehu Shagari, the Nigerian president, paid to Bulgaria in September 1982, "we are doing and will continue to do everything depending on us for the development of the comprehensive mutually profitable cooperation with the Federal Republic of Nigeria and for the sake of the well-being of our peoples."

The Federal Republic of Nigeria, located in West Africa, along the lower reaches of the Niger River, has a territory of 923,768 square kilometers and a population of almost 100 million. From the viewpoint of its economic potential, Nigeria unquestionably holds first place not only in tropical Africa but on the entire continent. It has significant deposits of petroleum, natural gas, coke, iron, tin, bauxite, uranium, lead, manganese and asbestos. It has huge timber resources and undeveloped fertile land.

Before the discovery of petroleum deposits and the beginning of the industrial extraction of petroleum, the Nigerian economy was based on agriculture. In 1960 its agricultural and forestry production accounted for 81 percent of the country's exports, compared with 5 percent for the extracting industry. The share of petroleum accounted for no more than 2.6 percent of overall

exports. No more than 10 years later--in 1970--the share of petroleum in the country's exports accounted for 73.6 percent. Today petroleum extraction plays the main role in the country's development. In recent years 94 to 95 percent of its foreign exchange income has come from petroleum exports. In 1979, the best year for the petroleum market, Nigeria produced 115 million tons.

After the country became independent in 1960, the government carried out a partial or total nationalization of the branches of foreign petroleum monopolies. The state organized control over their activities through the national petroleum corporation it created. This enabled Nigeria independently to set its petroleum prices. Nigeria joined OPEC in 1971. Along with oil price increases, this created conditions for a considerable increase in its income from petroleum exports, from \$9.5 billion in 1978 to \$25.6 billion in 1980.

With significant foreign exchange income at its disposal, the government gained the possibility of undertaking the implementation of a number of major projects, the reorganization of industry through the creation of new sectors and the modernization and expansion of its power base, transportation and communications.

According to the government's economic development plans, capital investments increased from 1.5 billion nairas for 1962-1968 and 5.3 billion nairas for 1970-1974 to 33 billion nairas in 1975-1980.

Increased capital investments based on the influx of "petrodollars" in the leading transportation and power industry sectors accelerated the country's overall economic development. In 10 years (1970-1981) the industrial production indicator reached 17.2 percent, including 285 percent in the electric power industry and 142 percent in the extracting industry; the chemical, food, textile and car assembly industries developed at an even faster pace. The country's transportation network is developing at an accelerated pace; 20,000 kilometers of new roads were built in 20 years.

The main direction of the government's economic policy is the conversion of Nigeria from an agrarian-raw material to an agroindustrial country. To this effect, during the 1970s the volume of capital investments in the processing industry increased by an average annual rate of 14 percent as compared to 8.2 percent in the other sectors. Today the country has more than 2,000 industrial enterprises and dozens of others are under construction. The foundations have been laid of sectors such as machine building, metal processing and electrical engineering; a number of plants have been built for assembling automobiles, with the participation of large automotive companies such as British Leyland, Fiat, Peugeot, Volkswagen and Mercedes, and petroleum processing and petrochemical industries have been created. The metallurgical industry is developing. Five metallurgical plants are under construction, with a total capacity for 3 million tons of pig iron and steel. The largest of them--Ajaokute (1.3 million tons) is being built with Soviet assistance.

An important feature of the Nigerian economy is the extensive participation in it of foreign monopolies, multinational corporations above all. The

specialists describe the relationship between the government and the national bourgeoisie, on the one hand, and the multinational corporations, on the other, as a "marriage of convenience." Currently there are hundreds of foreign companies operating in Nigeria, including 60 multinational corporations from all leading imperialist countries. During the 1970s, as the country's financial situation improved, the federal government took a number of steps to ensure the more efficient regulation of foreign capital activities. "Nigerization decrees" were passed in 1972 and 1977, sharply curtailing the participation of foreign capital in the economy. Nigeria has virtually no totally foreign-owned enterprises.

However, the multinational corporations are able to impose their influence through different ways. For example, according to the "Nigerization" principles, enterprise stock is usually divided among a large number of small owners. This enables the foreign monopolies to exercise actual control over the mixed enterprises even when holding less than 40 percent of the stock. Furthermore, the Western monopolies hold sway over the mixed enterprises through the delivery of technology, credits, etc. Nonetheless, the role of the multinational companies should not be assessed unilaterally at the present stage. The objective of the Nigerian government is, while controlling their activities in the country, gradually to train Nigerian cadres and to master the production of an increasingly broad range of industrial commodities and to increase the Nigerian share in assembling a number of finished goods currently produced by the mixed enterprises.

The Nigerian government allocates funds for the development of agriculture as well. Unlike industry, however, during the past 15 years this most important sector in the country has been stagnating. Agricultural production has been increasing by no more than 0.5 percent annually.

Under these conditions, the Shehu Shagari government drafted a "green revolution" program. Its purpose is to resolve the food problem by 1990 by increasing domestic production. The "green revolution" calls for capital investment of 4.5 billion nairas, extensive state support to the peasants, and the creation of large plantations with the participation of foreign companies.

Despite the considerable successes achieved in economic development, the Nigerian economy remains strongly dependent on petroleum exports and, therefore, the fluctuations and disturbances on the petroleum market. Suffice it to point out that currently 90 percent of the foreign exchange income comes from petroleum. Any worsening of the situation is immediately reflected on the country's overall economic development. This was felt particularly strongly starting with the beginning of 1981, when demand for petroleum began to drop on the international market. The pressure on OPEC to lower prices increased. At its 14 March meeting in London, for the first time in 20 years OPEC was forced to lower base petroleum prices from \$34 to \$29 and set a ceiling for the overall daily output of 17.5 million barrels. Nigeria was assigned a quota of 1.3 million barrels daily.

The difficulties on the petroleum market are having an extremely adverse impact on Nigeria's financial and economic situation. Suffice it to point

out that a drop in petroleum prices by \$1 means for a country such as Nigeria a loss of \$450 million annually.

Under these circumstances the government has been taking energetic measures to improve the country's financial position. As early as April 1982 a Provisional Law on Economic Stabilization of the country was passed, which imposed substantial import restrictions and earmarked a number of steps aimed at lowering the dependence of the Nigerian economy on petroleum exports. Unquestionably, the country has tremendous resources and a potential which offers opportunities for surmounting the temporary difficulties caused by the profound economic recession affecting the capitalist world, the stagnation in international trade and difficulties on the petroleum market.

The economic relations between Bulgaria and Nigeria have a relatively short but dynamic history. In less than 10 years Bulgaria was able to gain a good position among Nigeria's trading partners, positions which create prerequisites for extensive future economic activities. A positive assessment of the condition of trade and economic relations between the two countries and the need for their further expansion and intensification was emphasized during President Shehu Shagari's 1982 visit to Bulgaria. The joint communique indicates the reciprocal desire for cooperation in priority areas of the Nigerian economy, such as agriculture, the development of the rural areas, education and the implementation of a variety of projects.

As Nigerian President Shehu Shagari emphasized in his speech, "the excellent relations between Nigeria and Bulgaria were manifested in specific accomplishments in the area of economic cooperation which we would like to accelerate in a variety of fields such as agriculture, water resources, irrigation, industry, planning and development of the transportation infrastructure, scientific and technical cooperation and trade and finance."

Foreign trade is an important and dynamically developing area of cooperation between the two countries. In less than 10 years its volume reached 45,308,000 foreign exchange leva in 1982.

Bulgarian-Nigerian Trade

(thousand foreign exchange leva)

1974	1975	1976	1977	1978
42,923	44,098	28,791	32,676	33,691
1979	1980	1981	1982	1983 Plan
18,580	23,285	26,613	45,308	84,530

The principal commodities exported by Bulgaria to Nigeria are lifting machinery, agricultural machinery, batteries, frozen fish, tomato paste,

pharmaceuticals, cement and others. Possibilities exist for exporting some other commodities and increasing sales of machine-building, electronic and electrical engineering output, chemicals and light and food industry products.

Bulgaria offers favorable customs conditions for importing from Nigeria a number of commodities produced by its rapidly developing industry. The two countries are directing their reciprocal trade toward long-term contracts and agreements, which creates good prerequisites for its balanced and dynamic development. Steps are taken to extend trade contacts between the partners. To this effect relations between the Bulgarian Chamber of Commerce and Industry and the Nigerian Chamber of Trade, Industry, Mines and Agriculture will be expanded and made more varied, thus developing the participation of companies from both countries in the traditional and prestigious fairs held in Lagos and Plovdiv. Information activities will be increased, thus providing better knowledge of the commercial possibilities of both countries.

Production-technical cooperation on a variety of fields has been developing with increasing success in recent years.

With the help of Bulgarian design and construction organizations dozens of projects have been completed in Nigeria, including the national theater, which is the pride of Lagos, the capital, the electrification of settlements in the state of Kano, a sports complex in Ilorin, the Hippodrome and markets in Kaduna and others, totaling more than \$116 million. Currently projects worth more than \$93 million are nearing completion, such as the international hotel and roads in Bauchi, and the electrification of 37 settlements in Kano, which are of great importance in Nigeria's economic and social life.

The Nigerian government has drafted a broad program for the accelerated development of agriculture, industry, metallurgy, petroleum, power industry, housing construction and the infrastructure. "In these important areas, as in other Nigerian sectors," President Shehu Shagari emphasized, "close cooperation and aid are needed," which could be provided by Bulgarian experience.

Nigeria is interested in establishing closer cooperation with Bulgarian organizations in mining and, particularly, in conducting geophysical surveys from the air, the study and exploitation of lead and nickel deposits and deposits of radioactive minerals, developing tin mines in granite areas, and others.

The development and full utilization of its rich water resources are of great importance to Nigeria. Bearing in mind the experience of our specialists, Nigeria is interested in hiring specialists from Bulgaria (designers and scientific workers) for the Water Resources Institute in Kaduna. Great opportunities for cooperation based on Bulgarian experience exists in the areas of drilling and building of pumping stations, dams and irrigation systems.

Bulgaria is giving Nigeria considerable assistance in its efforts to achieve rapid industrialization through the building of modern industrial enterprises. For example, a starch production plant is being built in Kaduna with Bulgarian

assistance and a network of service workshops and centers for the repair and maintenance of transportation and agricultural machinery in the states of Bauchi and Kaduna.

Extensive possibilities exist of expanding production cooperation in a number of sectors through the creation of mixed companies, consistent with the economic "Nigerization" policy.

Currently two mixed commercial companies are operating in Nigeria: Globfish, for the sale of fish and fish products, and Afrocommerce, for the sale of Bulgarian machine-building output and other commodities. Seven mixed Bulgarian-Nigerian companies were set up in 1980-1981, in the areas of road construction, designing of transportation projects, navigation, fishing, and trade in and processing of marble and aerogeodesic studies.

At the last session of the Mixed Commission for Economic and Scientific and Technical Cooperation the two countries agreed to encourage the development of industrial projects based on mixed companies for electrical engineering equipment, such as electric motors, transformers, low and high-tension equipment, mechanical installations, construction materials, surgical, dental and clinical materials, pharmaceuticals and others.

Nigeria has shown an interest in cooperating with Bulgarian organizations in building projects in industrial sectors of priority importance such as the food industry, production of construction materials, the pharmaceutical and chemical industries, the production of electronic and telecommunication equipment, household equipment and furnishings, and hotel management and tourism.

Nigeria is familiar with and recognizes the experiences of the Bulgarian architects and designers in designing and building hotels, roads, airports, stadiums, sports premises, administrative buildings and markets, hospitals, clinics and medical schools. This experience will be used increasingly in the implementation of the broad construction program of the Nigerian government.

There is the possibility that in the near future the building of Abuja, the new federal capital, will become the main field of cooperation. Bulgarian engineering organizations have taken leading positions in a number of bids, which leads us to expect that some of the transportation infrastructure, housing construction and landscaping will be carried in close cooperation with Bulgarian engineering organizations. "We highly value your great interest in the development of our new capital, where currently your specialists are working shoulder-to-shoulder with our citizens," said Nigerian President Shehu Shagari during his 1982 visit to Bulgaria. "I see this as the beginning of a long process of cooperation."

Cooperation in the scientific and technical area as well has been developing with increasing success in recent years.

Based on the plan for scientific and cultural exchange, which calls for the training of Nigerian national cadres with higher and secondary specialized

education, with facilities provided by the BCP Central Committee, the Komsomol Central Committee and some public organizations, currently some 820 Nigerian secondary-school, university, graduate and postgraduate students are attending Bulgarian schools. All in all, more than 450 Nigerian citizens have completed their education in our country so far.

Many of the Bulgarian alumni have become known specialists and scientific workers and hold responsible positions. More than 50 Bulgarian specialists, who enjoy a very good reputation, are at work in Nigeria.

A new feature in Bulgarian-Nigerian cooperation in education is the suggestion made by Nigeria of concluding bilateral contracts between Nigerian universities and Bulgarian VUZs for joint work on scientific problems, exchange of lecturers and postgraduate students, and so on.

The results achieved in Bulgarian-Nigerian cooperation are a good example of the constructive approach taken by our two countries to problems of international relations. It can be said that in less than a single decade a solid foundation has been laid for the development of increasingly broad and comprehensive relations between Bulgaria and Nigeria. This is contributed by foreign trade and engineering organizations which are concentrating their activities on the Nigerian market and, particularly, the Joint Mission of the Bulgarian People's Republic in Lagos, the activities of which are contributing an exceptional amount to the establishment of ever-closer contacts with Nigerian business circles. As Comrade Todor Zhivkov emphasized during the visit of Nigerian President Alhaji Shehu Shagari in our country in September 1982, "we are doing and will continue to do everything we can for the development of comprehensive, mutually profitable cooperation with the Federal Republic of Nigeria for the sake of the well-being of our nations." Comrade Zhivkov pointed out that the real foundation for the expansion and intensification of relations is the dynamic development of our two countries and the closeness of the views they hold on the main problems of the modern world.

5003

CSO: 2200/15

FOREIGN TRADE SEEN AS WAY TO RESOLVE ENERGY PROBLEM

Sofia VUNSHNA TURGOVIYA in Bulgarian No 8, 1983 pp 6-9

[Article by Ivan Dunov, candidate of economic sciences: "Foreign Trade as a Factor for Resolving the Fuel-Energy Problem"]

[Text] Fuel-energy resources play a limiting role in terms of the volume, dynamics and structure of public production. This law was analyzed by K. Marx himself, who pointed out that "once factory work has reached a certain level of dissemination and maturity, and particularly when its own technical foundation--the machine--is itself already produced with the help of machines and after coal and iron extraction has been revolutionized along with the processing of metals and transportation, generally speaking, once general production conditions have been created consistent with large-scale industry, this means of production acquires a type of elasticity, a sudden quantum expansion, the limitations of which reside only in the raw material and market capacity."¹

This Marxian stipulation becomes particularly relevant and practically significant under contemporary conditions, essentially for the 1973-1974 period which followed the outbreak of the energy crisis. The aggravation of the fuel-energy problem on a global scale forced individual countries and governments (including countries rich in fuel-energy resources) radically to reassess their policies in the field of energy and to undertake the development of long-range programs for its successful solution. This applies to the members of the socialist commonwealth as well, including Bulgaria.

The BCP Central Committee accountability reports to the 12th BCP Congress points out that "one of the gravest global problems, which is a No 1 problem for our country as well, directly related to the intensification of the national economy, is securing the national economy with energy and raw material resources and their most efficient utilization."²

The efforts of the world at large and of individual areas and countries to resolve the fuel-energy problem have concentrated along several basic directions as follows:

- Intensification of energy production and fuller utilization of existing and newly discovered energy resources;
- Development and industrial utilization of new alternative energy sources;
- Energy conservation;

--Efficient utilization of the possibilities offered in this respect by the international division of labor, foreign trade in particular.

The solution of the fuel-energy problem, naturally, has its own specifics under capitalist and socialist conditions, based above all on the radically different nature of ownership. Neglect of such specifics could lead to erroneous theoretical conclusions and practical methods aimed at resolving it successfully.³

This article will study only one of the factors involved in resolving the fuel-energy problem, i.e., foreign trade. Naturally, such a separate consideration of factors is arbitrary and serves mainly the purposes of economic analysis, for the solution of the fuel-energy problem is determined, in the final account, by the overall effect of all the previously enumerated factors. What matters in this case is expressly to point out that foreign trade is considered precisely as a factor in resolving the fuel-energy problem on a broader level, rather than as an analysis of its volume, dynamics and structure of energy resources.

The uneven distribution of fuel-energy resources creates a disparity between the level of energy extraction and energy consumption in the individual areas and countries as clearly shown in Table 1.

Table 1--Position of the Individual Regions and Countries in the Global Production and Consumption of Primary Energy*

(in %)

	Production			Consumption		
	1960	1970	1980	1960	1970	1980
Developed capitalist countries	50	43	36	62	64	56
EEC	11	7	6.6	17	17	14
United States	33	30	22	37	33	28
Developing countries	19	29	30	7	8	12
Socialist countries	31	28	33	31	28	32
USSR	16	17	21	15	15	17
Bulgaria	0.2	0.2	0.2	0.3	0.5	0.6

* Prime energy = prime energy resources + electric power.

Author's computations based on "World Energy Supplies 1950-1974," United Nations, New York, 1976; "Yearbook of World Energy Statistics 1980," United Nations, New York, 1982.

Thus, for example, in 1980⁴ the area of the developed capitalist countries as a whole accounted for no more than 36 percent of the world's energy production, whereas its share in global energy consumption was 56 percent. Between 1960 and 1980 a trend toward a decline in the share of the developed capitalist countries in global energy production and energy consumption was noted.

In 1980 their share in global energy production was 14 percent lower (from 50 percent to 36 percent) compared with 1960, while their share in global energy consumption declined by 6 percent (from 62 to 56 percent). The share of the developing and the socialist countries, however, increased. The share of the developing countries in global energy production increased from 19 percent in 1960 to 30 percent in 1980 and in global energy consumption from 7 to 12 percent. A similar trend was noted in the area of the socialist countries, whose share in world energy production rose from 31 percent in 1960 to 33 percent in 1980 while their energy consumption increased from 31 to 32 percent. All of this is an objective base for the increased volume and dynamics of international trade in energy resources. This trend is clearly indicated in Table 2.

Table 2--Volume and Dynamics of International Trade
in Prime Energy Resources for 1960-1980 (in physical terms)

	Increased volume in absolute figures	Average annual growth rate
World total	3.5 Factor	6.5%
Developed capitalist countries		
Exports	3.6 "	6.6%
Imports	3.5 "	6.5%
Developing countries		
Exports	3.2 "	6%
Imports	2.8 "	5.3%
Socialist countries		
Exports	4.6 "	7.95%
Imports	6.0 "	9.4%
USSR		
Exports	5.3 "	8.7%
Imports	2.3 "	4.25%
Bulgaria		
Exports	-2.3 "	-4.2%
Imports	21 "	16.45%

Author's computations based on "World Energy Supplies 1950-1974," UN, New York, 1976; "Yearbook World Energy Statistics, 1980," UN, New York, 1982.

Both throughout the world and in its individual areas international trade in prime energy resources has increased manyfold. What is characteristic in this case is that whereas in the case of the developed capitalist countries exports and imports increased at an approximately similar rate, in the case of the developing countries exports considerably outstripped imports. This group of countries is the largest exporter of energy resources on a global scale (in absolute terms). In the area of the socialist countries imports increased at a higher pace, based on the fact that most of them are poor in domestic energy resources. This trend is manifested with particular clarity in our country, where exports have declined by more than one-half while imports increased substantially. This sharply raises the question of the high level of dependence of Bulgaria on imported prime energy resources.

An even clearer idea of the volume and dynamics of international trade in prime energy resources is obtained from their value measurement. Thus, for example, if we take the year 1975 as 100, the global foreign trade indicator will be as follows: 1970, 20; 1973, 33; 1974, 90; 1976, 106; 1977, 114; 1978, 118; 1979, 198; and 1980, 247.⁵

In other words, compared with 1960, the 1980 index was higher by a factor of 12. This substantial increase was caused by the sharp increase of the international prices for energy resources, mainly petroleum. The dynamics of petroleum prices charged by the main producing countries can be clearly seen in Table 3.

Table 3--Petroleum Prices for the 1971-1981 Period

		(in dollars per barrel)						
		1971	1976	1977	1978	1979	1980	1981
1.	Saudi Arabia	2.18	11.51	12.09	12.09	13.34	26	32
2.	Organization of African Unity	2.24	11.92	12.50	12.50	14.10	29.56	36.56
3.	Iran	2.17	12.50	12.81	12.81	13.45	30	37
4.	Iraq	2.16	11.43	12.67	12.60	13.29	27.96	35.96
5.	Kuwait	2.09	11.30	12.37	12.27	12.83	27.50	35.50
6.	Nigeria	3.21	13.10	14.31	14.31	14.81	29.97	40.02
7.	Norway	--	--	14.25	14.25	15.85	34.50	40
8.	Great Britain	--	12.45	14.05	14.05	15.50	33.75	39.25
9.	Mexico	--	--	--	--	--	33.50	38.50
10.	Venezuela	2.02	11.12	12.72	12.70	13.36	25.20	32.88

Data from "Yearbook of World Energy Statistics 1980," UN, New York, 1982, pp 854-855.

For the 1971-1981 period petroleum prices increased (average prices charged by exporting countries listed in the table) by a factor of about 16.

During the past 2 years (1982-1983) a certain trend of price stabilization and even lowering of petroleum prices may be noted. As agreed by the OPEC members, as of March 1983 the price was \$29 per barrel (average minimal price).⁶ Let us point out, however, without dwelling on the factors which determined this trend in the dynamics of petroleum prices,⁷ that according to the most authoritative specialists in this area a further decline of petroleum prices or of the other energy resources to the 1971 level is virtually impossible. The general consensus is that although mankind is not threatened by "energy hunger" even in the remote future, the time of cheap energy, when the headlong growth of energy consumption was covered through relatively inexpensive (noncapital-intensive and virtually convenient to all consumers) petroleum and natural gas, has come to an end. Increased requirements will have to be met through the development of resources which are less accessible and more capital-intensive both in the case of petroleum (the deep and polar shelf, heavy oil and bituminous sands) and gas (remote areas, great depths,

areas with anomalous pressure, and so on), as well as the highly capital-intensive nuclear energy.⁸

In this connection, O. T. Bogomolov writes that "the intensification of economic integration in the 1980s and 1990s involves the solution of several new problems. Above all, the need to amend the current concept of the division of labor was manifested, related above all to the fact that possibilities for further increases in exports of some types of fuel and raw materials from the USSR are limited. This is a reflection of a conversion to the development of more remote and less effective deposits and, consequently, the need to increase capital investments, transportation costs, and so on."⁹

However, the study of the volume and dynamics of international trade in prime energy resources is insufficient in itself to clarify the role and significance of foreign trade in resolving the fuel-energy problem. In this case the extent of import dependence of the various areas and countries on prime energy resources is of decisive significance. This is relatively the most precise indicator in characterizing the importance of foreign trade in meeting the energy requirements of the individual areas and countries.

Table 4 gives a clear idea of the import dependence of the individual areas and some countries.

Table 4--Share of Net Imports* in the Visible Consumption** of Prime Energy

	1960	1970	1980	(in %)
Developed capitalist countries	19	32	34	
Western Europe	36	63	54	
EEC	32	61	54	
United States	6	9	17	
Japan	48	86	91	
FRG	9	48	57	
Austria	35	57	73	
Switzerland	78	82	77	
Developing countries	None***	None	None	
Socialist countries	None	None	None	
USSR	None	None	None	
GDR	12	22	34	
Czechoslovakia	3	20	36	
Hungary	20	33	68	
Bulgaria	14	50	68	

* Net imports = imports - exports

** Visible consumption = production + imports - exports

*** None indicates no import dependence

Author's computations based on "World Energy Supplies 1950-1974," UN, New York, 1976; "Yearbook of World Energy Statistics 1980," UN, New York, 1981.

The study of the data in Table 4 indicates that as a whole the region of the developed capitalist countries has been steadily increasing its import

dependence on prime energy for the 1960-1980 period; in regional groups such as Western European countries and EEC members the coefficient of import dependence exceeds 50 percent. This trend is even clearer in the case of individual capitalist countries such as Japan, Switzerland, Austria and the FRG.

A characteristic feature of the region of the developing countries as a whole is that it has its own fuel-energy resources and is their largest exporter on the international market. Naturally, this does not apply to all individual developing countries.

The socialist countries as a whole also have their own energy resources and export a substantial share on the international market. Most of these energy resources are in the USSR, which is their main supplier to the CEMA-member countries. Most CEMA members have insufficient amounts of domestic energy resources and are forced to import the necessary amounts from the international market, mainly the USSR. Thus, for example, the coefficient of import dependence for energy resources ranges from 34 and 36 percent for the GDR and Czechoslovakia to 68 percent for Hungary and Bulgaria. This creates a number of grave problems facing these countries, Bulgaria in particular. It was no accident that the BCP Central Committee accountability reports to the 12th Congress noted that "the main feature in the area of imports is to pursue a line of maximal conservation and expediency in ensuring the country with the necessary fuels and raw and other materials...."

The use of foreign trade as a powerful factor in resolving the fuel-energy problem in our country presumes the solution of the following more important groups of problems.

First, the production of highly effective export equivalents to cover the necessary energy resource imports. This problem assumes vital importance to our country bearing in the mind the high level of import dependence on prime energy and its high international cost. Its unsatisfactory resolution would trigger serious disturbances in the balance of trade and payments.

Second, increasing the production of anti-import commodities or, in other words, intensifying domestic energy production, optimally restructuring the fuel-energy balance and involving in industrial circulation domestic new alternative energy sources. The development of the domestic nuclear power industry is currently and will be of decisive importance for the foreseeable future in this respect. The share of nuclear electric power plants in the country's overall energy balance will increase from 5 percent in 1980 to 17 percent in 1990. This will enable us to increase the share of local energy resources from 27 percent in 1978 to 35 percent in 1985 and 45 percent in 1990.¹⁰ This will represent a decisive step in reducing the extent of import dependence on prime energy.

Third, the use of foreign trade as a means for procuring the latest achievements of scientific and technical progress and their accelerated use in energy production and consumption and public production as a whole. This is one of the basic prerequisites in reducing the energy intensiveness in public production. The experience of the highly developed countries indicates that

energy conservation is one of the main directions in the global solution of the fuel-energy problem.

The radical solution of the fuel-energy problem on a global, regional and national scale will demand in the future the unification of the efforts of the individual countries. This particularly applies to the members of the socialist commonwealth and, in particular, the CEMA-member countries, which developed a new type of international economic relations based on full equality, fraternal mutual aid and mutual benefit. In the course of the intensification of socialist economic integration in the field of energy, however, the role and significance of foreign trade will not decline; foreign trade will become an increasingly important factor in optimizing the fuel-energy balance of CEMA-member countries as a whole and in providing the most efficient solution to the fuel-energy problem of the individual countries and the region.

FOOTNOTES

1. K. Marx, "Das Kapital," Vol 1, Sofia, 1968, pp 460-461.
2. "Dvanadeseti Kongres na BKP. Dokladi i Resheniya" [Twelfth Congress of the BCP. Reports and Resolutions], Sofia, 1981, p 21.
3. For greater detail on the energy crisis and its causal factors see "Energeticheskiy Krizis v Kapitalisticheskoy Mire" [Energy Crisis in the Capitalist World], Moscow, 1975, Part I, Ye. M. Primakov, editor.
4. The computations are for the 1960-1980 period, for in accordance with the respective UN statistical yearbooks on world energy production, consumption and trade in energy resources, 1981 and 1982 data have not come out as yet. However, the author firmly believes that the period mentioned (1960-1980) is entirely sufficient for purposes of determining the main trends in this respect.
5. Data from the "Yearbook of World Energy Statistics 1980," New York, 1982, p 1,206.
6. RABOTNICHESKO DELO, No 74, 15 March 1983.
7. For more detail on the factors which determine the present trends in the dynamics of petroleum prices see the article "Trends and Prospects on the Petroleum Market," VUNSHNA TURCOVIYA, No 2, 1983.
8. Edited by Yu. Starshinov, "Mirovaya Energetika: Prognoz Razvitiya do 2020 Goda" [World Power Industry: Development Forecast Through the Year 2020], Moscow, 1980, p 11.
9. Bogomolov, O. T., "CEMA: Economic Strategy for the 1980s," KOMMUNIST, No 7, 1983, p 75.
10. EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV, No 5, 1980, p 23.

TRADE UNION COUNCIL DISCUSSES 1984 PLAN PREPARATIONS

Prague RUDE PRAVO in Czech 15 Oct 83 pp 1, 2

[Text] A joint session of the Presidium of the CSSR Government and the Secretariat of the Central Council of Trade Unions [URO] took place in Prague. The proceedings were directed by URO Chairman Karel Hoffman and Chairman of the Federal Government Lubomir Strougal, as is stated in the communique adopted at the session's conclusion.

Introductory proceedings consisted of a review of the implementation of resolutions adopted by joint sessions of 6 April and 19 May 1982. It was stated in consensus that a majority of tasks had been essentially completed, while others are dealt with on a continuing basis. With regard to the state of health services in Prague, cognizance was taken of the information that the situation will soon be dealt with by the CSR Government. Both organizations shall comprehensively deal with environmental problems in 1984.

The joint session devoted its attention to basic problems of development of the economy in the current year and preparation of the plan for 1984. The Presidium of the Federal Government and URO Secretariat assessed the findings made in dealing with and implementing the plan for the development of the national economy in the current year in the context of resolutions reached by the Presidium of the CPCZ Central Committee on 19 August 1983 and preparation of the plan for 1984. In this context they decided to undertake by the end of November in individual branches and sectors a review of whether and to what extent there occurred any overestimation in plan proposals by economic production units that became incorporated into plans of intraplant units and work teams, in the interest of creating the requisite factual and chronological conditions for a more effective orientation of the initiative of the working public and toward meeting the planned quotas and collective agreements.

After familiarization with the Plan of ROK [Revolutionary Trade Union Movement] Activities for 1984, the Presidium of the CSSR Government called upon all ministry heads and all leading personnel of the central authorities to provide aid in its implementation, particularly in the economic and social areas.

The Presidium of the Federal Government and URO Secretariat expressed their appreciation for the activities of expeditor teams and their significant role

in the development of the movement of inventors and improvement promoters. At the same time, in keeping with the resolutions of the Eighth Plenum of the CPCZ Central Committee regarding accelerated application of research and development findings in practice, they emphasized the necessity for adopting effective measures toward continued development of this movement and toward intensifying the activities of KRB [expeditor teams]. It was decided to work out a proposal of the positions of the CSSR Government and of URO on a uniform system for organization, evaluation and remuneration of KRB, to include those that comprise the personnel of several organizations, and to stage by the end of 1983 a joint working meeting of KRB from key production sectors, research and development facilities and engineering and design planning organizations to share experiences gathered in their activities. It was further agreed to organize in the first quarter of next year a meeting of heroes of socialist labor with representatives of the CSSR Government and URO.

In the interest of an equitable implementation of goal-oriented state programs for savings of fuel, energy and metals, the CSSR Government and URO Secretariat agreed to retain the concept of exceeding the prescribed savings of fuel, energy and metals by 0.5 percent as one of the basic orientations for the development of the initiative of the working public, in keeping with the appeal made by the 10th All-Trade Union Congress. Heads of the relevant ministries were called upon to work out in cooperation with URO a proposal for special awards for teams and individuals who by their effort and initiative make a significant contribution to exceeding the prescribed savings of fuel, energy and metals.

The Presidium of CSSR Government and URO Secretariat took cognizance of the fact that the Ministry of Labor and Social Affairs will prepare, as part of the plan proposal for 1984, measures toward creating more demanding conditions in the system of regulating wage funds and submit it to URO for consideration. They reminded the heads of ministries controlling key production and economic sectors of the necessity for systematically meeting the tasks of the first stage of improving the economic effectiveness of the wage system. They further expressed their support for verification of the brigade-type of labor organization and remuneration and adopted measures toward assessing the results obtained in the first half of 1984.

The agenda of the working meeting between the Presidium of CSSR Government and the URO Secretariat further included a set of problems relating to additional improvements in workers' welfare. After a discussion of the situation and developments on the domestic market, it was stated that the situation became stabilized in the current year and that an improvement was registered in providing supplies for the populace. It was emphasized at the same time that there still persist many problems and shortcomings which require that state, economic and trade union organs and organizations devote continuous attention to surveying the consumer demand for goods in lower price categories, to analyses of the state of goods inventories in the distribution network, and that they support the initiative of the working public toward increasing production of goods that are in short supply on the domestic market.

The federal government and URO appointed a joint committee which will assess the basic problems in production and distribution of personal protective aids for workers, prepare a proposal of basic measures toward continuing improvement of the situation, particularly with regard to the quality of protective aids, and evaluate the feasibility of modifications of valid regulations pertinent to the management of these aids. Both organs also dealt with the problems attendant to fatal injuries and approved measures for systematic compliance with the relevant resolutions of the CSSR Government.

Specific resolutions were also adopted for dealing with social, housing, cultural and boarding problems at construction sites of nuclear power plants and other large construction projects.

To assure compliance with the ban on employing women in operations calling for manual lifting and transfer of loads in excess of admissible weight, the relevant organs were called upon to work out by 31 March 1984 specific operational schedules for the gradual elimination of work requiring women to handle loads in excess of permissible weight with the objective of doing away with any exemptions in the shortest time possible.

In dealing with some topical problems of health insurance and income security the URO Secretariat acknowledged with satisfaction the decision of the CSSR Government regarding the unification of rates in sickness benefits and support in caring for family members at 70 percent for the first 3 days and at 90 percent of net daily wages for subsequent days without regard to the length of time worked, all of which meets the proposals advanced by trade union organs.

At the conclusion of the meeting it was agreed that the next joint session of the Presidium of CSSR Government and the Secretariat of URO would take place in the first half of 1984.

8204

CSO: 2400/46

SET OF MEASURES EFFECTS ON AGRICULTURE EVALUATED

Prague HOSPODARSKE NOVINY in Slovak 30 Sep 83 p 4

[Article by Jan Tomasik, CPCZ Central Committee employee: "Adjusting Economic Mechanisms; How the Planned Management System Is Functioning in Agriculture"]

[Text] Party and state organs are devoting systematic attention to issues of the improvement of management mechanisms. Recently the CSSR Government and the CPCZ Central Committee Presidium discussed the fulfillment of the Set of Measures for Improving the Planned Management of the National Economy, while simultaneously evaluating the impact and effectiveness of the improved system of planned management for agriculture, including proposals for its further improvement and intensification, particularly in the area of economic mechanisms.

Only a relatively short time has elapsed since the Fourth Plenum of the CPCZ Central Committee in October 1981, which concerned itself in great detail with questions of an improved planned management system and approved the principles for its implementation as of 1 January 1982, so it would be premature to come to any unambiguous conclusions. The introduction of the Set of Measures cannot be understood as a one-time action. It is rather one component of long-term attempts to increase intensiveness and efficiency throughout the national economy and particularly in agriculture, since it is not possible on a day-to-day basis to realize wide-ranging changes in so important an area, given the management and overall mechanisms that exist for this. It is a matter of a long-term process which evolves through interaction with changes in internal and external conditions, and in relation to the formation of essential preconditions within the national economy, its institutional sphere and in the economic base.

Primarily Positive Results

The CPCZ Central Committee Presidium unanimously stated that the results achieved so far in the functioning and effectiveness of the system are for the most part positive. The system is contributing to improved planning,

increased efficiency of economic mechanisms, and a strengthening of economic incentives. Generally speaking, its positive influence is evident in increased agricultural production intensity, a strengthening of chozraschot, and the support of objectives related to structural changes in accordance with the strategy of increasing our independence, especially by giving priority to increased plant production, strengthening the domestic fodder base, and concentrating on the raising of beef cattle.

Positive trends are also appearing in management and in the overall effectiveness of agricultural production. This is evident from the results of last year and the performance of cooperatives and state farms in the first half of this year, which is better than projected by the plan and better than last year in practically all critical indicators--output, costs, profit formation, and overall resources. At the same time the CPCZ Central Committee Presidium emphasized that the achieved performance should not be overestimated, since it was influenced as well by weather conditions.

Despite the predominance of positive trends, the established objectives of the system have not yet been assured to the full extent. Positive performances are being weakened by several persistent shortcomings at specific managerial levels in agriculture and in the overall functioning of the national economic complex in the sector assuring the nutritional needs of the people. In particular, a comprehensive approach has not been followed in implementing the system, and because of this one must evaluate in a differentiated way the results achieved to date.

Modifications of economic mechanisms have influenced the overall meeting of objectives in a positive way and without great problems. Modifications in procurement prices, differential supplementary payments and other price and nonprice mechanisms and their adjustment to new conditions have generated improved preconditions for the planned development of specific sectors of agricultural production, for the support of necessary structural changes, and for the improved utilization of domestic resources and underutilized capacity.

The implementation of these mechanisms has moderated unjustified differences in production profitability and between differing production conditions, which is attested to by the substantially lower number of agricultural enterprises which have exceeded their economic performance targets. In this year especially the stimulative impact of these measures has become more clearly evident through their support of beef cattle raising and the management of fodder, fuel and energy resources.

Removing Causes of Below Average Performance

On the whole it may be said that given the constraints imposed by the financial resources for distribution within agriculture and the resources offered from the state budget, success has been achieved in gaining more

balanced price relations among products and even in generating, for specific, critical products, suitable price incentives. It must, however, be emphasized, as it was when the system was introduced, that the basic conditions and foundation for achieving the desired profitability was and remains the attainment of at least average production performance, and the effective utilization of inputs and resources consistent with specific production conditions. Where performance is below average, neither higher procurement prices nor supplements can resolve the problem. The first step must rather be the removal of the causes of below average performance and lags, which as a rule lie elsewhere than in economic conditions. It must be stated emphatically that we will not use economic mechanisms to support mediocre and laggard performance.

Further evidence of the efficiency of economic mechanisms is that we have successfully limited the consequences for the economy and enterprise profitability that stemmed from the implementation of regulatory measures for reducing livestock production, which were in many instances accompanied by a decline in usability, as well as measures to reduce diesel fuel consumption, which put restrictions on the relatively profitable shipping within merged production situations, as well as the consequences of lower grain production last year.

State Farms Are Behind

We can be less satisfied with the fact that we have still not been successful in achieving the desired increase in efficiency on state farms. Even given that the modified economic mechanisms assigned almost half of all available financial resources to the defrayment of costs on state farms, these farms operated at a substantially lower level of profitability--5 percent as opposed to the 9.8 percent of the united agricultural cooperatives. This means that, in addition to economic mechanisms, in this situation it is necessary to resolve more effectively basic questions of production and its intensity, better utilize all basic factors of production in both agricultural and nonagricultural activities, and not to shrink from taking personnel measures as well.

We have a number of state farms which have been able to utilize these economic modifications properly to increase production and strengthen economic incentives. There are also those, however, which have been only marking time now for many years. This is also true, however, of some backward and below average cooperatives where the measures of intensification programs are implemented only very slowly and noncomprehensively. It also must be said, however, that certain problems, especially in border regions, have objective causes, and that we will deal with these.

Shortcomings in Planning

We cannot be satisfied with the implementation of improved planning, which was also influenced by the status of planning for the Seventh

5-Year Plan. No great progress has been made in integrating the plan for agriculture with those of other sectors either at the central level or at individual management levels. Administrative approaches persist in the formation and allocation of plan tasks and truly greater opportunity has not been created for enterprise decision-making concerning the structure and focus of production. The managerial organs and pertinent organizations were not adequately prepared for the measures which were approved or for the new tasks, coordination has been poor, there have been differing interpretations and preparations, the issuing of the requisite guidelines took a long time, and concrete managerial and organizational activity has not been sophisticated enough. Suppliers, consumers and service organizations, where there is still a lot of superficiality and attitudinal formalism, approach the fulfillment of their targets with differing activity levels, especially when it comes to increasing their direct responsibility for task fulfillment and the development of agricultural production. Much can still be done in the remaining years of the Seventh 5-Year Plan, primarily in preparing to be able fully to meet the targets of the Eighth 5-Year Plan.

Significant changes also have not occurred in the quality of planning within agriculture. To be sure, the number of direct, binding indicators for production and procurement has been reduced, but in various indirect forms these obligations more or less have been retained. In many instances this approach has come about because agricultural enterprises have understood their increased decision-making authority quite simplistically, and have for instance reduced in their plans the area allotted to grains, potatoes or sugar beets while projecting unrealistic yields which would not assure the fulfillment of planned production. In many cases higher production targets have been based on higher, and unrealistic, inputs generally, and investment inputs in particular, without regard for the true possibilities of the economy. It is not possible to allow concrete political-organizational and administrative work to be replaced with administrative forms, but it is also necessary to link decision-making authority with greater accountability for the assurance of social requirements.

Moreover, effectiveness in improving planning cannot be evaluated solely on the basis of whether or not needs and requirements have or have not been met for inputs into agriculture, beginning with spare parts and ending with entire investment projects. By this we do not mean to imply that everything here is in order, or that there are not problems and serious shortcomings in the meeting of requirements. Possibilities, however, are limited, and our economy does not currently have the resources to meet all of the requirements of agriculture. However, what managerial organs can and must assure within the context of improved planning is the proper distribution and utilization of what is available and of what is provided for in approved plans and contracts.

Wages Must Be Tied to Performance

Measures in the area of economic incentives must be implemented actively. The evaluation has indicated that attention has been focused above all on the implementation of the so-called popular measures related to the restricting of wage regulation in the inclusion of workers into wage rate categories, and on various wage incentive programs. Less effort has been expended on the search for and implementation of those measures and changes which would link intensified economic incentives to a greater extent and more effectively to the work performance of production divisions, collectives, and individuals, to improved work organization, to more precise standards for time use, improved utilization of workers and better wage resources management. There are still many weak points here, the solution of which must be approached more actively.

In this regard, the evaluation was critical of the development of bonuses and wages in agriculture in the first half of this year. The new system had done away with the regulation of average wages and bonuses, and had tied their volume to increased performance--wages would, in other words, increase in accordance with resources that are generated. In fact, here, too, there must be a high degree of social responsibility on the part of managerial employees. Even when the planned volume of wages payable resources has not been exceeded, and their formation and paying out has been based on performance, it still may be necessary to deal with a situation in which annual production results come into conflict with paid-out wages and bonuses and will not be based on performance. For this reason it was emphasized that wages payable resources must be sensibly managed so that claims on shares of economic performance do not increase unjustifiably, and that the greater resources that may arise from this policy serve as a reserve for the coverage of requirements in years of less favorable conditions. It would not be politically desirable if in the interest of desired development it would again be necessary to resort to the administrative regulation of wages and bonuses.

What To Pay Attention to?

On the basis of its evaluation of the effectiveness and implementation of the system, the CPCZ Central Committee Presidium emphasized that the attention of responsible managerial organs must be focused on the more consistent and comprehensive implementation of the improved management system so that its objectives and principles can be consistently implemented at all managerial levels in all agricultural enterprises. It is necessary to use the system more conscientiously to eliminate persistent shortcomings in the management and mobilization of under-utilized internal capacities on state farms and on laggard cooperatives. Qualitatively, it is essential to improve the sophistication of planning above all of intersectoral relations, to eliminate administrative approaches to the formulation and assurance of plan targets. It is necessary consistently to implement system objectives in the area of supplier-customer relations, to work out more thoroughly the position

and function of services within the agro-food complex and their economic problems. In agricultural enterprises there must be a further increase in the quality of internal enterprise management, an implementation of khozraschot management principles and a strengthening of the merit principle of compensation. The labor force stabilization fund must be more effectively utilized to achieve a more rapid rate of production intensification in outlying areas and in areas with difficult living conditions.

The CPCZ Central Committee Presidium has also discussed proposed modifications of economic mechanisms for agriculture for 1984 (which were published in ZEMEDEL'SKE NOVINY and ROLNICKE NOVINY on 21 August), including proposed changes in the procurement prices of agricultural products and certain measures in the area of economic incentives.

What Led to Modifications?

Both the resolutions of the 16th Party Congress and the Set of Measures have set the objective of the smooth actualization of wholesale prices throughout the national economy, in conjunction with internal and external conditions, so that they may perform all of their functions and actively influence the development and efficiency of production. As of 1 January 1984 there will be modifications of the wholesale prices of fuel and energy resources, some raw materials and materials. The impact of these changes will be integrated into selling prices, i.e., into agricultural inputs. Changes primarily in the prices of diesel fuel, energy, investment equipment and fodder mixtures will increase the costs of agricultural enterprises engaged in primary production, as currently quantified, by roughly Kcs 3.7 billion, of which about Kcs 3 billion will be in the area of material costs and Kcs 700 million in the investment area. These are increased costs which do not include the obligatory absorption of motor fuel costs in the amount of about Kcs 200 million.

Compensatory payments to agriculture will simultaneously be increased by some Kcs 3.7 billion. The average price of outputs will be raised by the same amount as the price of inputs. Of course, the impact on individual products and enterprises may be different, depending on the structure of production and the consumption of materials and raw materials for which there have been changes in the selling price. This is the source of the current pressure for greater managerial and production efficiency.

Of these Kcs 3.7 billion, some Kcs 3 billion will be used to increase procurement prices, price supplements, and differential payments, and some Kcs 700 million will be used to strengthen nonprice mechanisms, in particular the labor force stabilization fund and the intensification and system reserve fund, so that it will be possible to resolve operationally and effectively certain problems of a product, production, and territorial character, etc.

Increased Procurement Prices

Through the general modifications and adjustments in procurement prices which were implemented last year we succeeded in creating price relationships and profitability in the production of specific products that on the whole are at corresponding levels. Preliminary calculations indicate that profitability differences are not so large and unjustified as they were in preceding years. And these modifications formed the basis for deciding where and for which products to use these Kcs 3 billion and for decisions regarding solutions to certain problems which have either become evident once again or which had so far not been researched sufficiently so as to determine which aspects should be stimulated further and which slowed down.

For the major products of plant and livestock production, the increased costs will be compensated for by increased procurement prices, price supplements and differential payments. Account has also been taken of the fact that further declines in the profitability of the production of grain, pork and poultry, which were the main sources in recent years of the reallocation of resources within agriculture, would no longer be tolerable and could lead to a reduction in interest in these products. A need became apparent for greater differentiation between the support of the production of grain for food uses, and it is for this reason that the increase in the procurement price is higher for these grains than for fodder grains. For certain other plant products it was a matter of providing incentives to enterprises to increase production and to create more favorable economic conditions, or at least not to permit a further substantial decline in production profitability.

For livestock products, after adjusting for differential payments, the profitability of their production should not change substantially. In this area as well, however, differentiation will increase according to the quality of production. It must also be understood that on this occasion the amount of resources available for procurement price modifications was quite limited, and that nothing more will be offered.

Nonprice Mechanisms

In the area of nonprice mechanisms, Kcs 700 million will be utilized for the strengthening of funds, with about Kcs 200 million going to the support of labor force stabilization fund above all at state farms in the border regions of the North Bohemian kraj and the Sokolov okres and for supplements in certain other outlying areas.

There are some serious problems above all on state farms. In an attempt to solve them, further incentive opportunities will be created in the sense that an advantageous coefficient will be used for the generation of wages payable resources, during both plan formulation and implementation. In future years state farms, for each percentage point of increased output, will be able to subsidize the bonus fund by 1 percent,

that is, to apply a coefficient in the ratio 1:1. Moreover, they will be able to subsidize the bonus fund in an amount up to 50 percent of the overall volume of realized growth premiums for increases in marketable agricultural production (for cooperatives the figure is 30 percent). It is clear from this that state farms are being granted truly greater possibilities to improve their production conditions, stabilize their work force, and to develop initiative.

Finally, it is clear from this concise evaluation of the impact of the system and the modifications that will take effect next year that the improvement of planned management is a process, and that we cannot comprehend it as a one-time project. The measures which have been adopted tie in to each other, develop further, become more intensive and adapt principles to new conditions and needs according to the demands of development and the possibilities offered by the economy.

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STANDARDIZATION FACILITATES GDR-USSR COOPERATION

Leipzig DER HANDEL in German Vol 33 No 5, 1983 p 9

[Excerpts from an address by State Secretary Prof. Dr. Helmut Lillie, president, Office for Standardization, Measurements and Product Testing: "High Quality in Demand"]

[Text:] One of the essential factors in intensification is the quality of the product. With a high quality of products we assure the performance growth necessary for further economic development.

Quality -- particularly dependability -- today forms the basis of the arguments with which we can, in the face of the appearances of capitalistic crises, win or maintain parts of the market. Whoever wants to succeed on the world market today must vigorously and consistently direct the development and assurance of quality by

- purposeful scientific-technical work,
- systematic analyses of quality and markets,
- quality-conscious work at every workplace,
- uninterrupted functioning of quality control.

Outstanding Performance Necessary

An important measure of the qualitative level of production is the constant increase in that part of the production with the stamp, "Q."

To be able to arrive at a production and assortment structure that is favorable for the population and for export, the needs must be analysed and the market changes must be noted. The basic question in working out every long-range export concept is: What products should go to what markets at what time?

Targeted demand research must finally yield product ideas that lead to saleable products and at the same time to necessary product renewal. The outstanding products reached in this way are given the stamp, "Q," by the ASMW [Standardization, Measurement and Commodity Testing Office]. A product that receives the

"Q" stamp must, at the time of its complete market activity, be superior to other competing products in important consumer value parameters, which can be evaluated economically by the user, or they must at least be of equal value. One main criterium for awarding the "Q" stamp is the relationship of mass to performance and the reliability of the product.

High Quality Demands -- Reduced Use of Material

The Standardization, Measurement and Commodity Testing Office has recently used its influence strongly to effect improved material economy. The primary action here has been the testing and short term reworking of standards, formulations, and use and production regulations with the goal of greater economic effect.

The measures for the drastic reduction of the use of material must be directed above all to:

1. The renewal of products, particularly in the direction of an absolute reduction of their mass dimensions.
2. The use of progressive calculation processes.
3. The use of new work principles and technologies that, besides saving material, also lead to significantly higher work productivity.

With the help of standards, the ASMW is forcing a reduction of material and energy input in all areas of our people's economy, and it is meeting the quality demands of the consumers.

International Agreements

The increasing interconnection of the people's economies of the GDR and the CEMA [Council for Economic Mutual Assistance] countries requires increasing international standardization. It is important that the share of the specialized production of component groups and parts increase very fast, faster than the total volume of foreign trade. This requires above all the assurance that these products will fit well and be exchangeable and also meet the requirements for quality and reliability.

Up to now more than 4,000 CEMA standards have been approved, of which the GDR has had a part in about 2,000 documents. Beyond this, close to 1,000 GDR and Soviet norms were unified, so that, for example, for the unification of the people's economies of the GDR and the USSR there are at present about 1,000 agreed upon norms available. With this, the share of products delivered according to unified standards is about 50 percent of the mutual trade of the two countries.

An important question of international standardization is the mutual recognition of national quality checks. Such an agreement is being prepared with the USSR on the basis of an experiment between two testing installations of both

countries. Practical experience already exists with the USSR in the area of governmental initial acceptance and calibration of measuring instruments and with Czechoslovakia in the type testing of selected products.

Organization of Purposeful Quality Development

With the systems of quality assurance that correspond to the most recent international knowledge on the direction and strategy of quality policy, the general directors must establish a strict quality system in the industrial complexes that insures the uniformity and complexity of quality growth from the initial phases to the final product. Production organization and quality control must be perfected in such a way that mistakes in the production process are avoided and the transfer of inferior quality performances, parts, component assemblies, and final products is eliminated with great certainty.

The costs for damaged goods, repair work, and warranty work make up the essential measures of a model development and maintenance of technological discipline. The targeted accomplishment of quality development with the conscientious cooperation of all workers must constantly be strengthened, and the costs must be reduced to a minimum. The Technical Control Organizations (TKO) of factories and industrial complexes must become effective organs of quality leadership so that a prophylactically effective quality control can be assured that is based on the complete elimination of errors.

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CSH: 2390/79

GERMAN DEMOCRATIC REPUBLIC

CEMA COOPERATION IN TRANSPORTATION MANAGEMENT DETAILED

East Berlin DDR-VERKEHR in German Vol 16 No 10, Oct 83 (signed to press 11 Aug 83)
pp 290-292

[Article by Dr Dietrich Witt, GDR Ministry for Transportation, department head in the International Affairs Section: "Optimization of Transport Relations Within the Framework of Socialist Economic Integration"]

[Text] 1. International Cooperation of CEMA Countries and Efficient Management of Their Foreign Trade Transportation

Close cooperation with the USSR and the other countries of the socialist community of states, within the framework of socialist economic integration, remains a fundamental process in the development of the life of our countries' societies, peoples and economies. In order to meet the demands of the 1980s, with a view to 1990 and the turn of the century, a further increase in the efficiency level of social production will be needed to meet "the requirements of the material and cultural level of the citizens' lives . . . the needs of our own economy and foreign economic necessities."¹

The secretary general of the Central Committee of the SED stressed his belief in the availability of the necessary manpower and financial means and the need to use them more effectively in the alliance of all socialist CEMA states.

"There is no doubt that the CEMA countries have available the mental and material resources to master the challenges of the 1980s. We will be all the more successful in doing so, the more consistently these resources are applied and used in common with greater efficiency"² and he says elsewhere in an analogous context: "By its nature this is a demand on us that can only be met jointly with the fraternal socialist countries, primarily the Soviet Union. In its very point of departure, our party's economic strategy presupposes the expansion of this mutuality."

This basic economic policy line applies in full to transportation and its mutual relations within the community.

The growing scope of foreign trade deliveries in recent years, as shown by a few selected types of goods, demonstrates the increasing economic importance of the

work of transportation to be performed here and the growing social interest in making this area as efficient as possible.

In his description of the important areas of joint work as part of the further strategic economic management of cooperation, Tschanter expressly mentions "increasing the efficiency of extensive foreign trade transportation" among the five complexes listed.

Large volumes of transportation in mutual foreign trade over correspondingly longer distances, compared with domestic traffic, requires that this transportation is managed as efficiently as possible and optimized.

2. Optimization and Internationality in the Transport Relations of the Member Countries of the Council for Mutual Economic Assistance (MC/CEMA)

Optimization in economic activity is the process of establishing and realizing the kinds of measures needed to achieve the established objective, which make it possible to achieve this objective in the best possible way (among all the realistically practicable "ways" possible, or alternatives for action).

Naturally, this applies in full measure to the optimization of transportation, where the objective is the completion of the socially necessary change of location, and the various alternatives for action consist of the various ways of transporting, using available transport technologies. This is established social knowledge, and, over long distances, it is social practice, even in the stricter sense of optimization protected by mathematical calculation and carried out through electronic data processing.

In principle it is always a matter of optimization in the closed system of an economy, when a series of important complexes of conditions, which determine marginal conditions, are almost so "self-evident" that they are often no longer consciously thought of as special and important factors or as basic determinants for the process of optimizing. For example, factors like the unified planning and leadership system, with a hierarchy of decisions which makes it possible to carry out economically optimal variants, unified systems of economic accounting, i.e. unified expression of value of production factors in unified prices, unified currency, unified standards of evaluation and methods of calculation.

It is precisely these crucial basic determinants that no longer apply in the optimization of international economic processes. The feature of "internationality" modifies the entire environment of optimization quite decisively. The overall conditions for optimization change. The cooperation of those in transportation in the process of optimization assumes new characteristics, since it is taking place as part of the cooperation of two or several national economies.

The task of the optimization of foreign trade transport is a completely uniform and common establishment of objectives by those involved with respect to the general fundamental concern of conducting foreign trade transport efficiently. Uniformity and commonality must be understood correctly and defined under the stipulations of embedding into the overall process of the cooperation of two or more economies.

Initially it is a matter of the same material process--cross-border transportation between the particular member nations of CEMA and/or the same process--optimization of one particular method of transportation or of a particular volume or sum of this kind of transportation. Consequently, the objective is the same for everyone involved: to carry out and optimize these economic procedures--as well as the others that are established in other branches and areas of social production--with the greatest possible efficiency. There must be a common approach to this task, since an optimum degree of efficiency can only be achieved in the coordinated action of all those who grab onto the entire chain of activity at different places.

As a result of those being involved belonging to different economies, the objective, which is at first inherently one and the same, undergoes modifications, and joint action presupposes a specific process of international agreement.

Unity of purpose means: "of the same kind," in its essence, in its fundamental quality, etc., but not in the highly concrete way it is achieved. For example, simply because all the measures for construction and expansion in transportation capacities have to be integrated into the plans of each of the countries involved, which requires them to be integrated as a nation into the priority ranking for all these countries' variations, the result can be varying total interests in detail, for example, about the time of implementation, as a result of different valuations. And also because the "mantle of values" of expenditures associated with transportation is defined quite differently in the form of national monetary expenditures and of different foreign currency expenditures, the result is different degrees of interest in economizing (pertinent domestic currency, foreign currency expenditures to be borne) and/or degrees of interest in income (foreign currency income to be earned from the export of services), where one of the factors is that there are different national definitions of the relationship of domestic spending to foreign currency receipts, of domestic to third currencies in the form of exchange rates. To this we can add materially specific group interests in the filling of important capacities through domestic and international traffic, the different priorities for it as well as for the different forms of international traffic.

In all the countries involved and/or with "those involved in transportation" in these countries, constantly recurring and in this sense "unified" objectives of optimization are directed at meeting foreign trade transportation needs completely, both quantitatively and qualitatively, with minimal cost to society, both in domestic currency resources and also in foreign currency expenditures, and with the greatest possible contribution to the balance of payments.

This is an extraordinarily complex goal, for which each partial objective is given a concrete--and ultimately concretely quantified orientation--in the light of particular national circumstances.

Accordingly, partial optima emerge which correspond to each particular nation's viewpoint. In the sense of what is best in different national perspectives, not as parts of an overall optimum that can be added together.

All in all, what is under discussion here is a specific set of problems in social production, given the existence of independent economies, in which--in the concrete case of supplying transportation and optimizing it--the relationship between

national and international is manifest in a unique way in the collaboration of socialist states.⁵ So this is not a specific concern of transportation, but a consequence of the organization of the social life of socialist society in different sovereign states with their own economic leadership and the responsibility for it.

This is a sober statement of fact, which is at the basis of all practical regulations for the shaping of economic relations between socialist states.⁶ One must be on guard--in general as well as in the case of transportation--against any unjustified establishment of absolutes, against any overemphasis of the national element. Any attitude that obstructs the prospect of the special quality of close, integrative collaboration by socialist countries in creating optimal economic processes must be shunned.⁷

On the one hand, as in any international collaboration, we must preserve national interests and objectives in the collaboration between socialist states when working towards a solution to the particular questions that are grouped together in an international process of equalization and harmonization, but the new quality of the cooperation of socialist partners, which is unequalled in international collaboration, must be stressed.

The external sequence of steps taken to act is not so important, but rather the way the balance of interests is achieved, the attitude in starting to recognize and take into account our partners' interests, the balance of interests among communists, borne by the spirit of socialist internationalism. In real relations what happens is that external organizational forms of collaboration were developed in accordance with this spirit and content of the relations. The process of the complex development of objectives in international socialist cooperation has its solid organizational basis in collaboration within the framework of CEMA and the bilateral economic committees. This is all generally applicable, just as it also determines in particular cooperation in the area of transportation, for example, as part of the Standing Commission for Transportation of CEMA and the traffic work groups of the bilateral economic commissions. By the same token, that is just as generally the framework for cooperation in transportation as is the case in the optimization of international transportation.

3. Practical Optimization of Transportation--Levels, Systems of Regulations

The optimization of transportation management, as a process of establishing the measures for it, is carried out on the national and international level by including total transportation needs and the total capacities of the transportation agencies that are capable of satisfying these needs, and combinations of them on two levels, namely:

--over the long term, taking into consideration longer periods of time and greater amounts of transportation, when it is primarily a matter of bearing in mind the long-term nature of the efficacy of investments in the development of transportation capacity--particularly in the infrastructure--and, accordingly, of building up and expanding transportation links that will be productive over the long term in traffic relations and traffic agency combinations that are recognized as optimal;

--applied in an operational sense to the handling of the single form, or several forms, of transportation for foreign trade that are available for implementation, when it is a matter of finding the optimal disposition of transportation that meets the specific, individual transportation case, while taking into consideration the practically available variations in transportation for a specific situation.

It is not a question of a schematic separation, nor one that can be made into an absolute, but simply the delineation of two different objectives on two different time planes which are closely interlinked. On each plane, internationality is appropriately expressed in the process of optimization. In domestic traffic, all determinations concerning the long-term buildup and expansion of productive transportation links within the framework of economic planning, including investment proportioning and allocation, pass through a multi-stage process of discussion and decision-making--although everything stays within the autonomous framework of one economy--in international traffic, following the internal clarification and coordination of requirements with investment-side opportunities prior to firm integration into national economic plans, it is a question of international coordination of measures, so that they can be optimally integrated into a suitable overall system.

Finally, it is a question of ensuring the universal application of unified parameters at the same point in time (for example, axle load, clearance, speed, electrification, etc.), in order to provide the conditions for the most productive use possible of the measures carried out on a national level for construction and/or purchase measures.

This was what determined the content and progress of establishing and putting into effect the appropriate long-term measures in paragraph 12 of CEMA's complex program, just as it characterizes the content and progress of cooperation within the framework of the Long-Term Target Program for Transportation. For example, in precisely this sense, and in accordance with the target program, a treaty for the development of a network of principal railroad lines was worked out and concluded, which anticipates an increase in the productivity of main lines such as Moscow-Warsaw-Berlin; Krivoy Rog-Budapest; Kieve-Ostrov-Falkenberg; Bendery-Bucharest-Sofia; Gdynia-Zilina-Rusovce; Rostock-Berlin-Prague-Budapest-Bucharest and Budapest-Kelebia.

Plans call for the construction of more than 2100 kms of second track and intermediate stretches by the year 1990 on these main lines. About 7500 kms of particularly heavily travelled routes are to be monitored by automatic section blocks and central dispatchers' offices. More than 6300 kms of railroad lines are to be electrified. In addition, the reconstruction and reinforcement of about 9500 kms of track is anticipated.

As a result of carrying out the measures for developing railroad transportation, the weight of freight trains will increase on the major lines by between one-and-one-half and two times, and on the east-west and north-south lines weights will reach 4000 to 4800 and 3000 to 4000 tons per train respectively. The maximum speed of freight trains is to be increased to 100 kms/hour.

In the sense of these statements, an agreement of this kind is the practical result of the process of long-term optimization, taking the interests of all participating countries into consideration, the overall estimates of traffic development and the resulting needs for expansion, balanced investment possibilities within a national framework aimed at the realization of the agreed upon expansion program, etc. It is a question of a process of repeated negotiating steps, constantly advancing closer and closer to the overall optimum.

At the operational level, all determinations on the optimal use of the total number of alternatives for action for domestic traffic are also made within the framework of the economic planning of one and the same socialist state, socialist division of labor between the transportation agencies is submitted by way of the appropriate plan projections and the selection procedure of transportation customers is additionally controlled by means of economic (balanced tariffs) or administrative (e.g., planning decisions on providing transport space) regulations.

In international traffic, optimization in operations is achieved in the process of deciding about the disposition of transportation through the organs of foreign trade, which, in coordination with the alternatives offered from the traffic side, can determine the best transportation agency or the appropriate agency combination and the optimal route, in this way delivering or calling for the freight. This procedure is tied in with tested structural regulations, primarily the General Conditions for Freight Delivery between the organizations of member countries of CEMA (ALB/RCW), which include in Chapter 2⁹ uniformly established responsibility through the policy of administration and freight charges known as "open border country of delivery." After agreeing on the basic route, the exporters optimize delivery and preparation at the border and/or the importers optimize collection and route from the delivering country's border town, taking into account all incoming foreign currency and costs for freight, handling, additional charges, and so on.

This proven system establishes clear areas of responsibility and, within its framework, allows every opportunity for real optimization in providing transportation, right up to using the means and methods of electronic data processing.

4. Further Development of the System for Optimizing the Foreign Trade Transport of Member Countries of CEMA

Underlying any economic activity aimed at high efficiency is a process of constant improvement and perfecting. This holds true for the optimization of handling the foreign trade transport of member countries of CEMA.

All the preconditions for constantly perfecting and increasing the efficiency of the entire system of cooperation among the participants from the socialist economies involved exist on the basis of economic rules of close socialist cooperation and integration.

Based on the current state of affairs, efforts must be concentrated primarily on the following fundamental directions.

First, the organizational system of cooperation must be developed further, for which the appropriate determinations, both long-term and operational, exist in the specific premiums of CEMA, which refer mainly to transportation planning and the division of labor underlying it and which must now be gradually put into practice.

This applies both to the perfecting of the statistical basis and the identification code system, it also refers to the practical organization of long-term coordination of needs and capacity and to harmonizing operational transport agreements, in the sense of an output-side coordination of plans in the area of transportation.

In this area, the analyses of needs development, which were conducted under the heading of the target program, must be continued and probe deeper, and the degree of precision in allocating expected transportation to capacities, in the sense of a scheduled predetermined divisions of assignments for the transport agencies, must be increased. There is also the continuing development of the system for coordinating investments included in individual national plans to ensure simultaneous expansion of uniformly high-capacity main arteries.

Secondly, work must continue within the scope of the proven system of ALB/RGW on even better economic stimulation of the disposition of transportation through foreign trade by means of correspondingly attractive tariffs. This is the translation of the principle of transport economy, according to which a corresponding, low, stimulating tariff level can promote foreign trade and beyond that, measures for the integration of production. More work must be done on solutions for preferential prices, for example, in the case of a stable flow of bulk goods (setting transit tariffs accordingly on the railroad, rates in transport by sea). This far from simple problem, in the opinion of the author, can only be solved if the movement of prices on the international market is taken into account.

The continuous and systematic work of the transport sector on solutions to these questions is its contribution to "further expanding foreign trade relations as a basis for our economic growth, thereby making the questions of the further deepening of socialist economic integration with the USSR and the other member nations of CEMA the first priority," as the statement read at the sixth plenary session of the Central Committee of the SED.¹⁰ Here, in the area of transport, the same thing holds true on a small scale as was recently formulated in a lead article in PRAVDA for general policy: "It is a question of increasing the effectiveness of cooperation in all areas of our economic relations. . . . If the specific interests of individual countries are given appropriate consideration, the jointly determined common course will be the expression of the solidly forged opinions and positions of the fraternal nations."¹¹

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COORDINATING RATIONAL USE OF ENERGY

East Berlin PRESSE-INFORMATIONEN in German 11 Oct 83 p 3

/Article by Horst Jungnickel, director, Central Office for Rational Energy Utilization: "Centers for Rational Use of Energy--Places for Exchange of Experiences"/

/Text/ Combines and enterprises have been given the task of guaranteeing the growth of the economy's output without additional primary energy utilization. This requires the rational management of available energy resources and the discovery of additional reserves. Part of this involves eliminating differences in energy use among various levels and putting into practice on a wide scale more energy efficient methods in process and production rationalization. For this reason, the exchange of information as well as the organized and deliberate exchange of experience are becoming increasingly important. In the last several years, therefore, Centers for Rational Use of Energy have been established in six district cities.

The Primary Center for Rational Use of Energy opened at the end of 1982 by the Institute for Energetics/Central Office for Rational Energy Utilization in Leipzig and the Markkleeberg School of Engineering for Power Industry in Markkleeberg has, in addition to its task of serving as a place for information, education and the exchange of experience, a guiding function with respect to the corresponding organizations in the other six districts. It is characteristic of the profile and operating method of the Primary Center to not only report on new methods and experiences, but to allow them to be presented and explained by the development engineers, designers, and manufacturers of equipment and processes. Conferencens are therefore essentially in the form of an exchange of experiences between those introducing a new innovation and those in a position to exploit and utilize the new innovation. Deliberately inviting potentially interested persons has doubtless contributed to the great effectiveness of the conferences.

During the first 10 months of its existence, 19 information conferences on various topics with a total of 750 participants took place at the Center. The emphasis of the topics was on secondary energy use, space heating, electrical energy use, and the increased utilization of crude lignite, in other words, on the main areas of energy rationalization. Participants were able to thoroughly familiarize themselves with the performance parameters, principles and method of operation, costs and benefits, and delivery periods of each rationalization method being presented.

Representatives for the Centers for Rational Use of Energy located in the districts of Rostock, Halle, Schwerin, Erfurt, Cottbus, and Dresden are the District Offices for Rational Energy Utilization in cooperation with the District Innovation Centers and the District Directorates of the Chamber of Technology. In particular, the district centers organize the exchange of experience in the field of the rational use of energy and perform an important task by guiding and advising small and medium-sized enterprises in raising the level of efficient energy management. Thus the center in Halle, for example, was successful in transmitting to a number of enterprises advanced experience in the rational operation of heat generating equipment using the domestic energy resource of crude lignite.

The district centers actively support those territories competing for an award as a territory operating at a high degree of energy efficiency. The centers in Rostock and Cottbus contributed their part in helping both district cities to become the first in the GDR to receive this award.

The expansion of existing centers, the establishment of further centers in the remaining district cities and in selected counties, and the coordinated and interdependent activity of these organizations under the direction of the Primary Center for Rational Energy Utilization will create the preconditions so that the exchange of experiences in discovering energy reserves can be accomplished with even more widespread effect.

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CSO: 2300/73

GERMAN DEMOCRATIC REPUBLIC

BRIEFS

WORK OF ENERGY COMBINES--It is the responsibility of the energy combines to operate and maintain 4,200 km of gas mains, a medium voltage network of 4,800 km in length, and 2,834 km of long-distance heating pipes for the adequate supply of the economy and population. This requires a large number of branch specific means of rationalization which are not available from industry. Since the energy combines in the bezirks basically need to solve the same problems and thus require similar means of rationalization, the manufacture of such products has been specialized and concentrated in special workshops. [Excerpt] [Suhl FREIES WORT in German 5 Oct 83 p 6]

CSO: 2000/103

FOREIGN TRADE MINISTER DISCUSSES EXTERNAL ECONOMIC RELATIONS

Budapest TARSADALMI SZEMLE in Hungarian No 10, Oct 83 pp 15-22

[Article by Peter Veress, minister of foreign trade: "About Our External Economic Relations"]

[Text] Most of the international economic ordering principles and rules of the game that had developed since World War II became blunted or lost their significance during the past decade. The changes that accelerated from the beginning of the 1970's on adversely affected in some respect even a significant proportion of the most developed countries, and most of them incurred terms-of-trade losses so sensitive that their balancing has succeeded only partially to this day. Many of them encountered balance-of-payments problems so substantial that maintenance of international solvency has become their main problem.

With a force rarely seen in peacetime, developments in international politics and in the capitalist economy became interwoven, in an interaction magnifying both: price shocks, a crisis of overproduction and concomitant unemployment, monetary crisis, lasting and large-scale inflation, embargoes, arms buildup, and in general the use of the achievements of international cooperation as a weapon. The "economic sensitivity" of the domestic balance of power within the developed capitalist countries has increased considerably.

This worldwide reordering has presented various bills to the individual national economies. Trying ones to our country and economy as well. The situation is further complicated by the fact that what up to now have been bridging solutions--for example, the system of credits and loans--are now often changing, or being changed, into instruments of dependence. At the same time the creditor nations' strongly protectionist or outright discriminatory policies are hampering the debtor nations' more efficient access to markets. It is perhaps no exaggeration that international politics and the countries' external economic strategy are interwoven more closely than ever before. We are witnessing time and again that economic decisions are being based not on economic but on foreign-policy considerations.

These circumstances, jointly with the slower-than-necessary reinforcement of our economy's qualitative characteristics, necessitate that the Hungarian economy become able--as soon as possible and even at the cost of greater efforts and sacrifices--to strengthen the position it has achieved in the international division of labor, to adapt to the new conditions and requirements, and then on

this basis to achieve faster growth. Its immediate task is to pay off the debt it has accumulated during the past decade.

The 12th congress of our party set the balanced growth of our economy, and within this the restoration of external economic equilibrium, as the key task of our economic policy. The April 1983 session of the Central Committee confirmed these objectives and regarded as a significant achievement that the country has been able to maintain its international solvency. Thus our tasks are given. Their realization requires coordination of a variety of efforts: political work and macroeconomic management of high quality, a more effective system of incentives and regulation, and greater competitiveness of our products in international markets. The strengthening of our ability to export economically, management of import that is economical yet does not lose sight of the key areas of development, and a foreign-trade policy that enhances our external economic objectives and safeguards our interests play an important role in all this. In the following I would like to present some thoughts mainly on these questions.

Primacy of Export

The more developed an economy and the greater its needs, the more closely it participates in the international division of labor. This statement is valid especially in relation to small and medium-size countries. This is a question not of subjective choice, but of objective necessity. It is reflected also in the fact that in the 1960's and the early 1970's world trade and the foreign trade of most countries were growing faster than the rates of domestic economic growth. Viewed over a longer period of time, a substantial proportion of the countries of the world were importing more than they were exporting. In some of these countries' balances of payments the trade deficits were offset by flows of capital, the proceeds from tourism, credits and loans, etc.

Under normal external and domestic conditions, a country's solvency is determined primarily by its own economic performance, and within this by its balance of trade. However, the availability of foreign credits, loans, deposits, etc. --in other words, of other than own resources--is also a generally accepted and asserted element of solvency. What these external resources are used for, whether for the development of modern technologies and means of production or for consumption, is decisive from the viewpoint of economic development. In the first case the country's solvency will improve in the long run, as a result of its improved economic performance. In the second case some needs of the economy are satisfied short term, but in the long run the country's solvency is weakened and the process of growing indebtedness is accelerated. Ill-considered investments of low economic efficiency also belong in this category.

Although a more detailed analysis is necessary than what the space limitations of this article allow, it can be established that in Hungary, with few exceptions, the use of external resources is dissipated, does not fit into the concept of development, and on the whole its efficiency can be termed only fair.

In practice solvency means that a country's total foreign-exchange earnings, and its available foreign credits and loans amply cover its foreign-exchange

penditures--import, transportation charges, debt servicing, etc.--and international public opinion views favorably the country's economic potential.

In 1981-1982, external political and economic conditions further aggravated our already difficult situation. And although authoritative circles had no real doubts regarding Hungary's political stability and economic potential, it nonetheless became more difficult to maintain our solvency.

This necessitated the priority of the so-called export drive, i.e., that we focus attention more closely on export than before, intensify our efforts to expand export and give priority to our exporting activity. We have encouraged and are encouraging the exporting economic units to produce more and better export products. Parallel with this we are also curbing domestic consumer demand through fiscal instruments, so as not to divert substantial export allocations.

The question is sometimes raised as to whether we have assessed realistically the ability of our economy to export and import. It must be admitted that there is no clear and easily understandable formula or computation method for determining the relationship between the ability to export and the ability to import. In 1981 and 1982, moreover, we did not have much time to consider what our ability to export actually was, or whether we had any choice between significantly expanding our export and thus achieving a trade surplus, on the one hand, and maintaining the previous rates of export and import, on the other. Circumstances neither offered nor permitted such a choice.

Our intention was to achieve the necessary trade surplus not by curbing import, but by rapidly expanding export. In 1982, unfortunately, the economy was unable to ensure this, mainly for three reasons: external marketing conditions became exceptionally unfavorable; production's ability to adapt to competitive products that meet the market's requirements and can be produced economically remains slow; and our marketing is not efficient enough.

However, it would be a mistake to interpret the principle of export's priority to mean that the problems of managing and substituting import are negligible or of secondary importance, or even that they are in conflict with this principle. In the interest of economic equilibrium, we are compelled to expand export and at the same time to manage and substitute import economically.

Economical import substitution is not even so easy. Often it would be necessary to substitute from domestic production the products of experienced and efficient foreign plants. However, import-substituting domestic production must be economical, because otherwise import substitution would be of dubious value. In other words, the production cost and price of the domestic product cannot be higher than those of the imported product. It might happen that temporarily we must accept the higher domestic production cost and price, because of the curtailment of import. In the long run, however, this would not be feasible. It is not our objective to produce uneconomically a product that has already been phased out once, or has never been produced, in our country.

Import substitution must lead in the long run to such a sensible transformation of the product structure that permits the evolution of comparative advantages. This is the more promising if the given import-substituting activity--assuming

suitable coordination and cooperation--replaces capitalist import not only in our country, but in our socialist partner countries as well. Such import substitution obviously is related to structural change and cannot be equated with autarchy. It is hardly an exaggeration to state that Hungarian industry's existing level of development holds promise for more significant import substitution than at present. Amidst the present paucity of capital, also the role of small plants in import substitution is not negligible; in many instances such plants are able to undertake even without substantial capital investment the economical production of certain products that are in demand.

Curtailment of Import

Only a significant trade surplus can enable us to maintain our solvency. In other words, our ability to export limits also our ability to import. What does this mean in practice? Because of the sudden change on international money markets and the slower-than-expected expansion of our export, as of September 1982 we have been forced to curtail import in the interest of a trade surplus. Parallel with the stricter import controls, we informed also the competent international organizations (GATT, IMF) that for balance-of-trade reasons we were temporarily curtailing import.

In this context also the question has arisen as to whether stricter import controls are in accord with our domestic economic mechanism, with the economic reform. The actual question, however, is whether our system of regulation and our intentions are in accord with changing world reality. The indications are that they are not. The previously employed instruments of the system of regulation, the measures to curb domestic demand, did not prove adequate to slow down domestic consumption and suitably stimulate export.

And if these days much is being said in our country about import restrictions, operational management, intervention and similar things, it is worth while to compare this with what we read daily in the press about the strict and often draconian measures that are being adopted in international trade and in certain countries to stop any further deterioration of the situation and to accelerate the search for a solution. Thus today debate in the world is not on the general liberalization of import; the real question everywhere is the feasible extent of import competition. We must frankly admit that a general increase of import competition is not realistically feasible. However, selective import competition--primarily in the areas that are decisive from the viewpoint of structural change, specifically in the interest of asserting the requirement of efficiency--must be strengthened gradually. (It is worth recalling that laxer import controls did not automatically stimulate the economy to improve efficiency.)

In accordance with its own laws and rules of the game, the capitalist economy has accepted bankruptcy or forced layoffs at hundreds and thousands of production units and prefers to assume the burden of very high unemployment benefits. At the same time the capitalist countries are exerting enormous effort to sell their products abroad, and to protect from foreign competition products that are "sensitive" from the viewpoint of domestic politics. The competition between the United States and the European Economic Community (Common Market) in food and farm products or rolled steel is common knowledge and is practically deteriorating into a trade war. Or West European protectionism against Japan's more advanced electronics, cars and many other products.

Naturally, stricter import administration and import curbs are not without their problems. They are causing a series of problems, and many real questions can be raised in conjunction with them. For example: Are we using our limited possibilities efficiently? Are we assigning proper priorities to import demands? Are we able to supply production with imported products without any interruption? What about imports of machinery and equipment for investment projects? Within import, are we acquiring a sufficient proportion of high technology and efficient parts? Does customs policy favor this? And so on. Very summarily we may say that the way in which we are using our limited import possibilities is relatively acceptable, although of course the restrictions are causing problems and hardships, in investment as well as in current operations. And it is likewise fairly obvious that the longer we retain import curbs, the more problems this can cause the economy. Cooperation between foreign trade and the branch ministries is especially important under these conditions. We are availing ourselves of the opportunity to let primarily the ministries in charge of production determine the priorities of import demands. We must and intend to cooperate more closely with them.

This is the more necessary because we cannot deny that we are having problems in conjunction with the questions, and each of them requires far more circumspect work than in the past. However, it can also be established that the curtailment of import has produced not only problems but favorable experience as well. In particular it turned out that our economy has significant reserves also in the areas of import control and import substitution, and that we are able to use materials and energy more efficiently than in the past.

Interest Relations and Foreign Trade

Our system of economic regulation is intended to provide incentives for the enterprises to achieve our economic and external economic objectives. At present it must help attain specifically the restoration of external economic equilibrium, and within this the attainment of the planned trade surplus. In accordance with the changes in our objectives and in the external and domestic conditions, of course, flexible modification of the system of regulation is likewise necessary.

The domestic system of pricing introduced in 1980 required domestic prices to follow the nonruble-denominated export prices. In addition to its favorable effects, this system had also unfavorable consequences. In particular, in many instances this system hampered the still possible increase of the export volume, because some of the enterprises held back export that was justified or justifiable, but relatively not very profitable at the microeconomic level. Therefore we modified the system of regulation in the sense that if the enterprises are able to expand their export only with products of relatively low profitability or less favorably priced products, this will not harm their interests and reduce the profitability of their domestic sales. This principle is realized in practice as follows: if an enterprise achieves a certain growth rate of its export, it does not have to reduce its domestic prices, not even if the profitability or price level of export declines. We are providing a special benefit for the enterprises within whose total sales the proportion of nonruble-denominated export is high. Such enterprises may avail themselves of the above opportunity even if they merely maintain the level of their export.

The modification of our exchange-rate policy likewise serves to increase the incentive to export: the forint's devaluation in relation to capitalist currencies in 1982, and the devaluation already introduced in 1983 also serve this purpose. Shaping the active stimulating role of exchange-rate policy in providing economic incentives always requires comprehensive deliberation. For it often becomes necessary to reconcile various considerations, some of which occasionally are mutually conflicting. For example, the export-stimulating effect of the forint's devaluation (which even so only attempts to offset at least partially the unfavorable effects of declining world-market prices) must be coordinated with the measures aimed at the general curtailment of domestic spending; and it is necessary to take into consideration also the fact that the stimulation of export could have also an unfavorable effect from the viewpoint of the development of domestic cooperation, as a result of the export incentives contradictory effect. (For example, the most frequent disruption at present is that the enterprises, because of the export incentive, prefer to export the basic materials and semifinished products, and do not supply enough to domestic manufacturing industry.) Among the effects of the forint's devaluation, its effect on increasing import cost, which in the final outcome is inflationary, must likewise be taken into account.

The recently introduced currency devaluations reflect macroeconomic management's intention to make fuller use of exchange-rate policy in providing more incentive for export denominated in convertible currency and in making import expensive.

In conjunction with the export incentive there are at least two things which should be emphasized separately. First, we must not strive to export at all cost, because the fact that there is an incentive to export is not an exclusive yardstick or criterion of export that is advantageous for the national economy. And secondly, the system of regulation must better enhance selectivity. The more favorable the export price, the more advantage the enterprise should derive. The incentive system should guide in this direction, and both the favorable and unfavorable consequences should be allowed to assert themselves.

Finally, when providing more incentive it is always necessary to consider economic policy's entire set of objectives--for example, our measures must be coordinated with our objectives in conjunction with regulating domestic purchasing power--and the entire economic environment. In the present complicated external economic situation, however, providing more incentive alone would not be enough to achieve the expected improvement of external economic equilibrium. Over and above this, domestic demand's strict regulation that has been employed in recent years is also necessary; it supplements the export incentive with compulsive force.

Naturally, we must also realize that macroeconomic management and regulation solve many things, but they are no substitutes for modern work organization, managerial methods that enforce discipline, and for voluntary political propaganda to influence public opinion in this direction.

Our Foreign-Trade Policy

A country's foreign-trade policy is always determined by weighing the country's economic possibilities and interests against the behavior of the partner

countries. Foreign-trade policy jointly expresses intentions, instruments and behavior. Under normal conditions, foreign-trade policy's regulated rules of the game protect primarily the interests of the weaker countries.

In periods that reflect the more peaceful and even development of the world economy, foreign-trade policy too is "more peaceful," lining up fewer weapons. At the time of economic or political crises and conflicts, the sharper offensive and defensive instruments are brought into play. At such times--as evident also now--certain external economic questions (credit policy, supply of high technology, food export, arbitrary restriction of import, etc.) in the hands of aggressive forces can become foreign-policy instruments of threat or reprisal. This burdens economic relations between countries with numerous elements of uncertainty.

Hungary maintains external economic relations with three groups of countries: the socialist countries, the developed capitalist countries, and the developing countries. We are striving to always have clearly formulated foreign-trade policy objectives for each of these three principal provenances and destinations.

The socialist principal provenance and destination, our comprehensive relations with the CEMA countries and the Soviet Union in particular, remains the decisive area of our external economic relations. Even today the "formula" of our external economic relations, in spite of the problems that naturally exist, is the most clear-cut, predictable and reliable with the socialist countries. Our foreign-trade policy toward these countries promotes first of all the export of products that best suit our conditions, and the import of commodities that the national economy needs. In other words, relations among the socialist countries try to find and express their mutual interest, with due consideration for the specific national interests of the individual countries. Foreign-trade policy toward these countries serves the best possible fulfillment of mutual economic interests and obligations expressed in the coordination of the medium-range plans, international agreements and trade protocols. The content of commodity trade is basically economic, with underlying mutual economic interests. Mutual trade and the fulfillment of obligations were continuous in 1982, discounting a few shortfalls that in some instances were painful. Both our political and economic interests demand that in the future we utilize even better the possibilities of mutually advantageous cooperation within CEMA. We must seek progressive solutions to expand commodity trade, specialization and cooperation.

The maintenance of relations with the developed capitalist countries is far more complicated. The often intentional mixing of economics and politics has again become characteristic of our Western partners in recent years. When the situation intensifies, this interaction usually influences the standpoints negatively, which makes the fostering of relations more difficult.

The most specific and serious problem today in relations with the developed capitalist countries is the recession that contracts the local market, making sales more difficult. In addition, the developed Western countries are using visible and invisible trade-policy measures to narrow the sales opportunities,

and in some instances they are even raising barriers. Our foreign-trade policy must counter these methods, and the instruments and possibilities for counter-ing them are varied.

In East-West relations we regard mutual interest as the ordering principle; with every partner we are striving to find the real mutual interest. We are emphasizing this before every possible forum. Against the statutory and administrative barriers, we regard frank and straightforward action desirable, before international forums as well as in bilateral relations. We support mutual relations between Western companies and Hungarian enterprises, if the mutual interests become obvious and tangible. This is sometimes called the government's trade-creating activity. We are using many different instruments of economic diplomacy, and other countries are doing the same.

One of our main efforts in relations with developed capitalist countries is to achieve that our partners do not employ trade barriers for political considerations, or that trade considerations do not become the starting points of political reprisals or of measures that generate tensions. This is needed to create a healthier atmosphere in the international arena.

An important element of our relations with developing countries is to grant them unilateral preferences, i.e., more favorable customs treatment, thereby making them more competitive in the Hungarian market. We are doing this on the basis of UNCTAD's recommendations. Another essential element is that here there is wider opportunity for marketing, and therefore we can expand our exports of technology, machinery and finished products more successfully than, say, to the developed capitalist countries. There is also a somewhat wider choice of markets. Consequently, it is a realistic objective to increase the developing countries' share of our commodity trade.

From the preceding it is perhaps evident that restoration of our economic equilibrium demands of us the purposeful and forceful realization of far-reaching and complicated tasks both at home and internationally. Naturally, the course of events might be influenced also by foreign developments beyond our control. We nevertheless must concentrate our attention on the solution's domestic factors that are within our control. The more so because we know that such extensive and rapid deterioration of the international economic and political conditions did not cause, but merely brought to the surface, the already existing serious shortcomings of our economy. From the viewpoint of solving our problems it is decisive whether the economic units understand that our solvency is not some abstract problem that does not concern them, only the national economy or the state. Failure to ward off this threat would affect the future activity and very existence of every economic unit.

It is essential that decision directed toward a solution be adopted in full knowledge of the actual situation and on the basis of identifying the real problems, from the command posts through the economic units, down to and including the individual workers. A united political will and intention to act, honest patriotic concern for the country, and civic responsibility for the public good asserted on the scale of entire society remain a basic condition for our further progress. Their importance is exceptionally great in the solution of the tasks confronting us.

ADEQUACY OF CURRENT ACCUMULATION LEVEL QUESTIONED

Budapest FIGYELO in Hungarian No 42, 20 Oct 83 pp 1, 10

[Article signed W.I.: "The XIII INFO: Is Little Enough?"]

[Text] Lively discussions, creative thoughts launched, many questions left open and sincere opinions ventilated about them, this is the way we can succinctly characterize the XIIIth symposium of industrial statisticians that took place on October 11 and 12 at Szekszard with the participation of about 350 experts.

After listening to the lectures delivered to the plenum, the topics of which we have published in our last week's issue, the participants continued their deliberations in three panels dealing with industry, construction industry and tourism. Five other lectures and nine reports were delivered to these panels and 15 persons participated in the discussions.

About the Future of Investments

The main topic of deliberations in the industry panel was whether or not the present Hungarian accumulation level meets the requirements related to the tasks that our national economy has to tackle; in other words whether the relatively low level of our investments provides enough room for a reshaping of our macroeconomic structure and for an acceleration of economic growth.

International statistics show that the accumulation level in our country compares favorably with the middle level of the OECD (the developed capitalist countries), even if we take into consideration that the prices of investment goods are from 2 to 4 percent higher in Hungary than in the mentioned states. However, the Hungarian and international trends are basically different. In the OECD countries accumulation climaxed in 1973, riding the crest of the economic boom and decreased gradually thereafter. Conversely in Hungary accumulation declined during 1972-1973 and rose, after some fluctuations, to its top during 1977-1978, sinking thenceforth rapidly. This trend is not likely to change until 1985. In the developed industrial countries accumulation has been growing slowly lately. These facts have prompted the thought that Hungary's inevitable coordination with the international economic processes does not work satisfactorily and this might become an important cause of losses.

In connection with the relationship between economic growth and investments, people used to say that Hungarian economists tried to solve the problem of slow improvement in work productivity by an increase in investments and to set thereby the conditions of economic growth. This approach is still widely held as valid.

One of the lecturers, using examples of the practice of developed capitalist countries and citing theses from the scholarly literature, attempted to prove that the bearing of investments on economic growth is less meaningful than logic would postulate. He claimed that the role of the "human factor" in economic growth is still decisive, and that in this area there are still considerable reserves in our country that will make it possible to accelerate economic growth and to reshape the macroeconomic structure despite our low investment potential. In our development program we must emphasize selectivity and promote the productive regrouping of our resources. According to this lecturer, the present problems do not arise out of a decline in investments but on the contrary accumulation had to be reduced because of the insufficient demand for goods. The present modest economic upsurge in the capitalist countries is not a result of increasing investments but it came about due to an increase in the demand for durable goods.

Aside from the presentation of the investment process at the Paper Factory of Szolnok, no other enterprise took the floor at the panels, and thus we could not get an insight into the practical reaction to the various theoretical theses presented at the symposium.

Competition Versus Sham-Competition

The construction industry panel discussed the possibilities of making the contractors compete with each other. Until 1978 there was an excessive demand for construction work. Yet, as a result of the reduction in investments, the demand dropped rapidly facing this industry with new challenges. In 1983 the decline in construction and equipment industry activities came to a halt, a phenomenon that stands in contrast with the plans. Yet, inasmuch as the investments are concerned, the trend toward keeping them at low level continued. In the construction industry work productivity, organization and profitability have improved.

Following the decline in excessive demands, the construction industry sought to improve production quality, in general productivity and tried to move toward such conditions of competitive offering which provide the customers with a possibility of choice. This was the purpose of the practice of calling for competitive bids, which were introduced in the second half of 1982.

During the months which have elapsed thus far from 1983, supply contracts for a value of 1.9 billion forint have been concluded through competitive bidding. This amounts to 3 percent of the total value of all contracts. This figure needs no commentary. In principle everybody agrees that competitive bidding should be extended also to the construction industry, since it meets the requirements of selective and qualitative development. However, progress lags behind the expectations at present and does not meet the needs.

Nowadays proper callings for bids are rather rare, since most of them fail to clearly express what the customer wishes, nor do they disclose his financial means for the realization of his project. Often the call for bids is merely "cosmetics" since the customer has already concluded an agreement with a construction firm, and at times construction is already in progress.

The legal, technological and bureaucratic backlogs, contractions and deficiencies have thus far considerably blocked the trend toward competition. Competitive undertakings are regulated only by a framework of decrees which allow ample room for the partners to settle all those problems the solution of which does not justify the intervention of the law. This situation is rather unusual and therefore it produces a certain amount of uncertainty.

Another problem is that certain county governments tend to strengthen the local monopolistic positions and wish to maintain the existing paradigm of connections from customer through architect to building contractor. This is another roadblock to the unfolding of an open and fair competitive system.

One of the panel reporters discussed the problems of the system of "head" enterprises, specifically those new investment type undertakings which are specialized in this kind of activities and have been established recently. These enterprises have a clientele for organizational, coordination and management teleconference activities, that they perform for modest fees.

Compliance with delivery contracts is nowadays often stalled as a result of difficulties in the procurement of imported goods. The enterprises are ever more frequently invoking import difficulties as a "force majeure" in the non-implementation of an order. Ultimately import difficulties tend to provide a pretext for any breach of contract, thus exempting the contractor from penalty.

An interesting report referred to the relationship between investment costs and deadlines. These two most relevant indices of the productive implementation of investments did not show any improvement during the period under scrutiny.

The problem of the enterprises' sensitiveness to costs was also discussed. In contrast with the thesis of a lecture delivered at the plenum, according to which the enterprises do not care sufficiently about costs, some panelists noted that this was not exact. They care much about certain cost-factors which are in the limelight; thus wages, representation expenditures, development funds and the extraordinary wage fund. But they seek compensation for their thriftiness in handling more liberally those cost-factors which cannot be so closely controlled.

The Demands of Tourism

The lively discussions in the tourism panel proved that the decision of the organizers to devote a separate panel to this problem was fully justified.

One of the lectures provided a comprehensive picture about the development of foreign tourism during this year. It showed that during the eight months under

survey 3 percent more foreign tourists arrived in our country than during the same period last year. The yield of foreign tourism was 15.6 percent higher in forints, but lower in dollars than last year. (The receipt in German marks and Austrian schillings was the same, but in dollars last year's level could not be reached because of the higher exchange rate of this currency).

The ideas raised in connection with domestic tourism are also worthy of interest. The managers of this branch of tourism are seeking to raise the capacity of the domestic hotel industry.

For the years to come the first priority is the building of hotels of medium and cheap categories and the modernization of some of the old ones. State subsidy will be granted for the establishment of a few new camping places and such new initiatives will be promoted which do not require state investment, for example tourism in the villages and hot spring resorts, the utilization of schools, abandoned buildings and castles and mansions, which are historic monuments, will be prodded. The cooperation of the managers of social-tourist institutions will be requested and the private sector involved (for example: paying guest services, boarding houses and private camping places) and the organizational and managerial functions of tourism will be further improved.

Another report discussed the problem of retail trade in the resort places. Forty-fifty percent of what the tourists are consuming is food. (This amounts to an 11 percent share in the overall turnover of the food and restaurant industry. In the resort areas it surpasses 20 percent.)

Great attention was devoted to a report that summed up three years of experiences with a 300 million dollar Austro-Hungarian credit agreement. The expenditures related to the building of the Budapest Hilton and the Thermal Hotels on Marguerite Island and at Heviz exceeded the budget by 48 percent and the time of construction was 39 percent longer than planned. The Austrian contractors, however, complied exactly with the plans in terms of finance, deadlines and quality as well.

According to a panelist Hungary needed hotels of the luxury category, and there are still not too many of them, however, there are too few medium- and low-priced hotels. In July 1981 the four and five star hotels had a 30 percent share in the hotel bed capacity of Budapest; in 1982 this share rose to 45 percent, as a result of building some new high-category hotels; in 1983 it was already 49 percent and by 1984 it is expected to reach 55 percent.

Speaking about the Hungarian transportation system, one of the panelists noted that as a result of the vehicle reconstruction program of the last decade and the development and modernization of the road network, the transportation facilities meet the quantitative requirements of both domestic transportation and foreign tourism. They would be even able to face transportation tasks of greater volume. However, insofar as the quality of the services is concerned, it leaves much to be desired, particularly during the seasonal peak traffic periods.

The INFO 1983 has proved that the interest of the statisticians and industrial economists in economics and technicalities related to their profession did not decline during the last 13 years. However, it was striking that in comparison with earlier years less entrepreneurial professionals attended the meeting this year, although the topics discussed involved indeed the business units.

MORE RETAIL STORES, RESTAURANTS TO BE LEASED

Decree Issued

Budapest **MAGYAR KOZLONY** in Hungarian No 43, Sep 84 pp 692-693

[Decree of the Council of Ministers No 33/1983 (22 Sep) on Leasing Certain Retail Stores and Catering Industry Businesses]

[Text] Section 1

1. Legal entities (hereinafter economic organization) engaged in domestic trade (Section 5, Paragraph 1, of Law No I/1978) may operate their retail store or catering business (hereinafter business) also under a system of leasing it out (hereinafter leasing).
2. To lease out the business, the economic organization concludes a civil-law contract with a private entrepreneur willing to operate the business (hereinafter the lessee). The contract must be concluded in writing, for a period of not more than 5 years.

Section 2

The economic organization must conclude the contract with the entrepreneur who offers to pay the highest rent in publicly held competitive bidding.

Section 3

1. A lease may be signed only with a private individual--including also a civil-law partnership--who has, or is qualified to obtain, a private merchant's license for the type of business in question.
2. The lessee may not sublet the business.

Section 4

The lessee is obliged to pay the economic organization the amount of rent stipulated in the lease.

Section 5

1. The lessee must start to operate the business within the time limit stipulated in the lease.
2. The lessee operates the business as a private merchant. He may sell products that fall within the trades specified in the operating license of the business and in the lessee's trade license.
3. The sign of the leased business must show, in accordance with the general regulation, the name of the legal entity that is the lessor, and the name of the lessee.

4. Operation of a business by leasing does not qualify as subletting.

Section 6

1. The lessee may buy from the economic organization the fixed capital in the business.
2. In the lease the economic organization also undertakes to buy back upon the termination of the lease, at the lessee's request and for the current price, the fixed capital that the lessee bought.

Section 7

1. The provisions of Section 2, Paragraph 1, and of Sections 4, 5, 10 and 12-14 of the Decree of the Council of Ministers No 38/1980 (30 Sep), as modified by Decree of the Council of Ministers No 34/1983 (22 Sep) apply where appropriate to operation of a designated business by leasing.
2. In conjunction with the lease, the provisions of civil law will apply to any question not regulated by the decree.

Section 8

This decree becomes effective the day of its promulgation. Simultaneously Government Resolution 1022/1957 (19 Feb) on the Leasing of Certain State Retail Stores, as supplemented by Government Resolution No 1004/1972 (16 Mar), and also Decree of the Ministry of Domestic Trade No 6/1972 (16 Mar) on the Leasing of Certain State Retail Stores, as modified and amended by Decree of the Ministry of Domestic Trade No 16/1980 (30 Sep) are hereby rescinded.

Signed: Gyorgy Lazar,
Chairman of the Council of Ministers

Official Clarification

Budapest OTLET in Hungarian 29 Sep 83 p 18

[Interview with Dr Erno Herner, department deputy chief, Ministry of Domestic Trade: "Regulations Governing the Operation of Businesses Under Contract Modified"; date and place of interview not given]

[Text] At the end of the first half of 1983, there were 8,057 businesses operated under contract in Hungary. This included 2,519 stores selling food and industrial goods, and the remaining 5,538 were catering establishments. Total turnover under this mode of operation was 10.6 billion forints during the first six months of this year, at an average profit rate of 11 percent. In spite of all this, there were no bids for half of the businesses for which competitive bids were invited publicly last year.

The Council of Ministers had modified and amended some of the regulations governing the operation of retail stores and catering establishments by contracting and leasing. In the following we will describe the most important changes, adding to them the comments of Dr Erno Herner, deputy department chief of the Ministry of Domestic Trade.

[OTLET] A decree to be promulgated and made effective in the near future will expand the circle of businesses that can be operated by contracting or leasing. Earlier this type of operation has been possible only in the cases of businesses operated by economic organizations.

According to the modified regulations, the possibility of operation by contracting or leasing has now been broadened to include procurement centers, clubs, the councils' travel agencies, and other "noneconomic organizations."

Erno Herner: Sport clubs are now able to operate their snack bars under the new system. The APESZ (general consumer and marketing cooperatives) vegetable, fruit and livestock procurement center likewise can be operated under contract. The same is true of the tourist camps and motels belonging to the councils' agencies, or even of the flower shops belonging to the Undertaker Enterprise. Entrepreneurial willingness is expected to increase, and foreseeably there will be more competition within individual trades.

[OTLET] The new decree specifies that by mutual agreement a contract already in force can be extended even without publicly held competitive bidding, for a period not longer than 5 years from the conclusion of the contract.

Erno Herner: Partially at the suggestion of the ministry and due partially to excessive caution, the enterprise in the past concluded contracts with the applicants usually for 2 or 3 years. Our experience shows, however, that in general it takes 5 years for a business to start, become known and gain acceptance.

Thus the entrepreneurs who concluded contract for 2 or 3 years are now able to negotiate with the "parent enterprise" for the remaining period. If they fail to reach an agreement, the enterprise will of course again publicly invite competitive bids.

[OTLET] More than one member of the same family will be able in the future to manage businesses under contract.

Erno Herner: The earlier policy sometimes led to divorces. For example, the husband leased a restaurant, and the wife was manager of a dress shop. When it was decided to invite bids for leasing the dress shop, the wife had to give up her job or get a divorce.

[OTLET] An entrepreneur will also be able to operate more than one business under contract.

Erno Herner: The opportunity provided by this modification is expected to be of interest particularly in small communities with several small businesses.

It may also happen that the operation, say, of a foodstore alone might not be attractive. If it is combined with a small restaurant, however, the entrepreneur might find the proposition more acceptable.

[OTLET] A new provision states that the contract may be suspended for 6 months if the contract manager is unable to keep his store open full time through no fault of his own (because of illness, military service, etc.).

Erno Herner: But this does not mean that the store will be closed. In such cases the lessor might take over the operation of the store for a few months.

[OTLET] There are also some stricter provisions. Thus notice to terminate is considered accepted if the other party files no objection within 8 days. As a temporary measure, the court may order transfer of the business to the economic organ if termination of the contract is disputed. When the contract expires, the court may order the lessee to vacate the unit, and this order is enforceable by execution.

Erno Herner: Understandably, not every entrepreneur prospers, and about 10 percent of the contracts had to be terminated because the store managers went bankrupt. Settlement of the disputes often took many months, during which time the stores were closed, to the customers' detriment.

In this context it should be mentioned that many entrepreneurs regarded their debt as the best source of credit! The 5 percent interest payable long term was better than any bank loan. Today also this interest may go as high as 15 percent!

Due to the stricter provisions, it will no longer be possible for a person to bid who still has a debt stemming from an earlier contract management of a business.

[OTLET] The rules governing the filing of vouchers and bills for the procurement of merchandise also have been tightened. Vouchers and invoices must have serial numbers and date stamps. The procurement journal and vouchers must be retained for 5 years.

Erno Herner: In the past, for example, a voucher made out by the buyer was sufficient to prove the purchase from a producer in the market. The manager simply wrote down on a scrap of paper what he bought, from whom and for how much. When the merchandise in question was sold, the buyer's voucher could be destroyed, leaving no trace. Which of course reduced the tax liability.

[OTLET] A restaurant operator may buy also retail the food and farm products for processing.

Erno Herner: This was possible already in the past, but up to now there was no statutory regulation to this effect. I would like to point out that this provision does not apply to the procurement of carcass meat and, by interpretation, of alcoholic beverages.

[OTLET] The lessee may now buy the fixed assets from the lessor enterprise. The latter may undertake to buy back the fixed assets, at their current price, when the lease ceases.

Erno Herner: If the lessee wants to buy the fixed assets but is unable to pay the full price immediately, the enterprise may sell him the fixed assets in installments.

[OTLET] From now on the representative of the lessor enterprise directs the bidding to determine the amount of rent payable. He alone determines how much higher the individual bids may be.

Erno Herner: It often happened that also "planted" bidders participated in the bidding. For example, A bid 2.0 million forints, B bid 2.1 million, and C raised the bid to 3.0 million. The lease was awarded to C. But a few days later he withdrew his bid, and the next highest bidder automatically got the lease.

One advantage that the previous lessee of a store has in bidding is that he gets the lease in case of a "tie." In other words, it is enough for him to match another bidder's bid; he does not have to raise the bid.

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CSO: 2500/45

RENEWED THREAT OF UNCONTROLLED CAPITAL SPENDING ON BIG PROJECTS ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 40, 2 Oct 83 p 8

[Article by Marek Misiak]

[Text] We are still shouldering the burden of the past--as reflected in the pressure of huge resources tied-up in uncompleted projects and uninstalled machinery, and in the inertia of the existing economic structures. First steps towards investment program verification have already been made, but this is only a beginning of the road. And in the meantime, now, enormous problems are emerging. Attempts are being made to re-paint the old as the new and, drawing on some elements of economic reform, to maintain the raw-materials-consuming structure of the economy. What should be done for the banks to more efficiently stimulate efficient, materials-saving and export-oriented projects? What should be done to protect the most indispensable, small-scale, enterprise-financed projects which don't have the piercing power of huge raw-material ventures?

Higher Spending, Slower Progress

In successive monthly reports on the economy, ZYCIE GOSPODARCZE warned systematically that the investment spending (at constant prices) was above the repetitive last year's level by more than 20 percent. But progress in handing over the completed projects, as compared to plan targets, is as low as two-thirds, or roughly the same as in 1982. In January-July 1983, z1490 billion was spent on investments, up 24.6 percent on the figure for the first eight months of 1982. The value of completed projects handed over in that period stood at z1 109.1 billion (61.7 percent of the planned cost-estimate value) which did not differ much from actual project completion in the same time span last year.

What it means that this situation this year is similar to the previous year's can be learnt from an assessment of investment projects in 1982, published in the recent issue of BANK I KREDYT.

It says that many project completion dates specified in investor-builder contracts and in bank credit contracts were not met in 1982. Out of the total value of z1 513 billion in capital projects scheduled by investors for completion in the socialized sector of the national economy in 1982, only z1 299 billion worth of projects (in terms of cost-estimate value), or 58 percent, were actually completed by the end of that year, including only z1 48.3 billion

worth of central projects (45 percent of the planned value of zł 106.5 billion). The value of buildings handed over for use in housing cooperatives stood at zł 61.2 billion (73 percent of the figure planned for 1982), and their living area totalled 5.15 billion sq.m., against 5.63 billion sq.m. in 1981 and 6.37 billion sq.m. in 1980.

At the same time, with the low value of handed over projects (less than zł 0.3 trillion), a great number of new capital undertakings were started with twice as high combined value. It is true that these were for the most part small projects, usually financed from the investors' own means, but their poor progress by the end of the year (15 percent of total value) contributed to further dispersal of outlays.

Some investors, translating the cost-estimate value into 1982 prices, tried to broaden the physical scope of many of these projects. Against this background, higher prices were also asked by builders. As a result, there was an increase in the value of resources needed for full completion (zaangazowanie) of central projects, coupled with their long gestation cycles.

In the first 7 months of this year, the cost-estimate value of newly-started projects increased by zł 317.2 billion (zł 283.4 billion in January-June plus zł 33.8 billion in July), which, compared to the value of zł 109.1 billion in projects handed over during that period, means further increase in the completion-requirements and tied-up-capital figures.

In this situation, it is not inconceivable that the level of capital spending set in the Central Annual Plan for 1983 will be exceeded. This year's target of zł 960 billion was formulated in the fourth quarter of 1982 and believed to represent a 1.6 percent increase on the then-expected level of capital spending throughout 1982. However, the actual investment expenditure in 1982 amounted to zł 1,058.6 billion, including zł 839.3 billion in the socialized sector of the economy. In the fourth quarter, the latter figure was believed to stand at 772 billion, and the corresponding plan target of 1983 was increased by 1.0 percent to zł 780 billion.

But the problem is that the increased dynamics in investment outlays, as compared with central-plan provisions, has so far failed to bring about a tangible increase in the value of handed over projects.

Shares of Construction Operations and Machinery

Expenditure on construction operations has been growing faster than spending on machines and equipment. With the general increase in capital spending in the first 7 months of this year by 24.6 percent, outlays on construction rose 29 percent and expenditure on machinery 16.6 percent. Attempts have long been made to reverse this pattern. As can be shown on many examples, there are many buildings and premises in the economy in which machinery can be installed and effectively operated. As a result, planners have long called for higher dynamics in machinery expenditures as compared with spending on investment construction--regrettably, to no avail.

In 1981, against the general yearly decline in capital spending of 22.3 percent, expenditures on machinery and construction operations dropped respectively 22.9 percent and 22.8 percent from the previous year's level. A year later, the last two indices were respectively down 3.8 percent and down 26.7 percent. As compared with plan targets for 1982, actual expenditure on construction operations was up 2 percent, while spending on machinery down 22 percent.

The Central Annual Plan for 1983 cautiously provided for the same increase in expenditures on construction/assembly operations as in outlays on machines and equipment (by 1 percent on the expected implementation of 1982 targets). But in the three-year plan, it is envisaged that in 1985 construction will grow 3.9 percent while machinery purchases 8.2 percent. In light of this, the January-July 1983 increase of 29 percent for the former and 16.6 percent for the latter constitutes a glaring departure from 1983 plan targets and from guidelines for 1983-1985.

Capital Requirements for Project Completion [Zaangazowanie] and Tied Up Capital [Zamrozenie]

It is estimated that the completion of all projects now under way in Poland would require an expenditure of the order of zl 4-5 trillion, at 1982 prices. Were it not for the project-halting operation in 1981, the figure would be still higher (by some zl 3 trillion). Assuming that the 1982 level of investing is maintained and that all resources are spent on continued projects, their completion would take 5 years. If, as expected, some projects proposed for abandonment will nevertheless be continued after new verification, there will be a further extension of the period between now and the theoretical completion of undertakings that have already been started and not abandoned.

Excessive extent of capital requirements for completion is connected primarily with central projects. Their cost-estimate value (without the value of projects handed over by the end of 1982) represents more than 30 percent of the total. But in the plan, central projects are assigned around 15 percent of all capital spending. Given the 1982 level of investing, the completion of these projects would thus take 10 years.

In current discussion on this question at the Planning Commission, it is assumed that a rational level of capital requirements for completion should equal 2 to 2 1/2 years' investment outlays. This would indicate that, with a planned level of investment construction in 1983-85 of zl 0.6 trillion, the rational level of capital requirements for completion should not exceed zl 1.2-1.5 trillion, or be 2-3 times lower than the present one.

Against this background, there remain an open question of tied-up capital (zamrozenie). From the 1975 level of zl 0.36 trillion, it rose to zl 0.62 trillion in 1978, zl 0.80 trillion in 1980 and 1981, zl 1.11 trillion in 1982, and the record level of some zl 1.2 trillion at the end of the first half of 1983. As shown by 1982 statistics, more than half of tied-up capital (zl 0.63 trillion) was in industrial projects (zl 0.18 trillion in the fuels/energy complex, 0.12 billion in the engineering/electric industry, and zl 0.08 billion in the chemical industry).

At mid-1983, the Ministry of Mining and Power Industry alone reported more than z1 0.21 trillion in tied-up capital (against completion requirements of z1 0.83 trillion). Next came the Ministry of Metallurgy and Engineering (z1 0.13 trillion in tied-up capital and completion requirements of z1 0.35 trillion) and the Ministry of Chemical and Light Industries (respectively z1 0.10 trillion and 0.17 trillion).

The value of unoperated machinery in tied-up capital stood at mid-1983 at z1 81.4 billion--slightly less than the level of the end of 1982 (around z1 83.0 billion). But it was higher as compared with the previous years--z1 67.2 billion at the end of 1981, z1 53.2 billion in 1980, z1 47.5 billion in 1978, z1 27.2 billion in 1975. Most of unoperated machines were purchased abroad. They represented the value of z1 44.9 billion at mid-[figure indistinct], z1 48.5 billion at the end of 1982, z1 44.3 billion in 1981, z1 32.6 billion in 1980, z1 34.7 billion in 1978, and 17.6 z1 billion in 1975.

Inflation-Generating Structure

An analysis of capital requirements for project completion in industry shows that 74 percent of the total comes from mining and early stages of processing (production of raw materials, intermediate materials and semi-manufactures). Machinery industries absorb further 16 percent. Together, as the so-called Group A industries, they account for 90 percent of completion requirements. There remain only one-tenth, or 10.4 percent to be precise, for Group B or consumer industries. This splits into 7.8 percent for the production of one-time consumption articles and 2.6 percent for the manufacture of durables.

Gestation cycles in Group A are much longer than in Group B. The coefficients of capital requirements for completion expressed in yours--or the ratio of completion-requirement value to annual investment outlays--stand at respectively 6.4 and 3.2. Upon further disaggregation they are: 6.9 for mining and early stages of processing, 3.9 for machinery industries, 2.9 for one-time consumption items production, and 4.5 for the manufacture of durables.

Such a structure of completion requirements carries a danger of continuing increase in demand generated by the expansion of Sector I [capital goods] and Group A industries and the consequent difficulties with balancing it through a corresponding expansion of supply, for which purpose an expanded potential of Sector II [consumer goods] and Group B industries would be more appropriate. The more so as in Sector I there is a lopsided emphasis on new investment projects in fuels/energy and raw materials industries. Lagging behind are equipment and machine industries which are of importance for replacement and modernization (and for the implementation of the economies program, in its part concerning materials-saving technology). The degree of physical depreciation of fixed assets, which stood at 31 percent in 1980, rose to 34.4 percent in 1980 and 36.9 percent in 1982. The highest figure in industry was recorded in the light industry--44.1 percent in 1980 and 50.6 percent in 1982.

Sources of Finance in 1982

According to the "Implementation of Credit Plan," published in BANK I KREDYT No 7/1983, the expenditures on the financing of investment activities of socialized economic units (on account of current investment-project construction and obligations dating back to before 1 January 1982) amounted to z1 961 billion, and were covered by: investors' own means (z1 240 billion, or 25 percent), budgetary means (z1 180 billion, 19 percent), and bank credits (z1 541 billion, or 56 percent).

It should be explained that, according to currently-binding principles, the central investment projects are financed with bank credits--and not budgetary means. The latter were channeled to finance projects of budget-run units, and their share in financing projects of economic organizations was small.

Out of the total amount of credits granted, z1 162 billion was for central investment projects. This figure was z1 40 billion above the level of investment outlays, because of the need to meet outstanding liabilities. A not-so-small sum of z1 168 billion was earmarked for cooperative housing construction. The level of crediting here was influenced by last year's widespread practice of advance financing of project builder's dues.

As a result, credit granted for enterprise investment projects totaled z1 211 billion. This was 48 percent of outlays on these projects, or slightly less than the share of [enterprise] development-fund means.

But there was a relatively small amount of credits in financing new investment projects of enterprise--z1 3 billion. A factor reducing the banks' room for maneuver here was the very high proportion of credit (83 percent) in financing the continued projects.

The bank withdrew further crediting from 232 investment projects of enterprises (z1 110 billion) after questioning investor's creditworthiness. Some of these projects were halted, while other ones were continually financed with investors' own means.

Credit Plan for 1983

As a result of further increase in investment credits granted economic organizations (z1 95 billion for central projects, z1 40 billion for enterprise projects and z1 90 billion for house construction), the level of bank credits planned for the end of this year stand at: z1 589.1 billion for central projects (without taking into account the added increase in credit caused by changes in official and regulated prices), z1 980.9 billion for enterprise projects, and z1 503 billion for house construction.

Increase in credits comes from a balance of credits paid out and credits repaid. Credit pay-outs stand this year at: z1 125 billion for central projects, z1 190 billion for enterprise projects and z1 130 billion for housing construction. Credit repayments are respectively z1 30 billion, z1 150 billion, and z1 40 billion.

Most of the central investment projects were in the fuel/energy complex. At the beginning of this year, the cost-estimate value of credited central investment projects was estimated at z1 1.25 trillion (at current prices). Bank credits and development funds were to provide respectively z1 125 billion and z1 6 billion. With the planned level of z1 131 billion worth of 1983 outlays, the average gestation cycle for these projects would be 7.6 years. The amount of credit used for enterprise-project financing stood at z1 68.4 billion in the first half of 1983 and is expected to total z1 183 billion for the whole year. But it is known already now that added demand will be pressed on the Agrarian Credit Bank (BGZ) for the crediting of new and resumed projects, which threatens that the banks' involvement in enterprise project financing will be z1 25 billion higher than provided for in the credit plan.

The share of bank credits for enterprises' new projects was insignificant in the first half of 1983, just as it was in 1982. An overwhelming proportion of credits is still involved in continued undertakings. And a special position among bank-financed enterprise projects is held by the 51 former central projects which were recently ceded to enterprises and which are beyond financial means of single firms. At the beginning of 1983, their cost-estimate value was z1 159.5 billion, or 29.9 percent of the total cost-estimate value of enterprise investment projects. The share of bank credits in financing these projects represented 94.2 percent in the first half of 1983.

Enterprises' Own Funds

Just as in 1982, the development fund will remain the main source of finance for socialized-enterprise projects this year. In the first half of 1983 enterprises started z1 242 billion worth of new projects wholly financed with their own means. Enterprises expect them to absorb z1 163 billion this year, or 67 percent of their total value. This means that gestation cycles for these undertakings are 3-4 times shorter as compared with continued projects. Purchases not connected with building services account for more than a half of the total cost-estimate value of new projects financed from enterprises' own funds.

An overwhelming majority of projects (nearly 7,000) have relatively low cost-estimate value, below z1 100 million (z1 7.2 billion on the average). These are as a rule long-postponed projects aimed at improvements in energy management, factory transport, goods storage, working conditions, etc. Many of them are planned to bring about better quality and cost reduction. This group also includes some of the 120 medium-scale projects, with cost-estimate value ranging between z1 100 million and z1 500 million.

Another group comprises 19 projects with cost-estimate value between z1 0.5 billion to 1 billion (z1 0.71 billion on average) and 10 projects worth more than z1 1 billion (z1 1.44 billion on average). It can be questioned whether these should be treated as projects financed from enterprises' own means, since it is impossible for a single firm to accumulate so huge sums without outside assistance. In practice, however, enterprise funds are supplied from centrally-managed sectoral development funds created by some obligatory associations and similar organizational structures. In some cases, these means are provided after a bank refusal to grant investment credit.

It is feared that this system of channeling centralized funds to enterprises may drag the economy into excessive involvement in inflation-generating capital investments. The more so as the necessary discontinuation of some projects meets with very firm resistance. In concrete cases, there may appear a danger of "back-door" financing of halted investment projects--with the help of various kinds of centralized funds or compensatory accounts held at the level of nationwide enterprise, association or other organizational structures.

If there emerge authentic investment requirements for higher funds than an enterprise can afford, these should be met to a greater degree than before with bank credit. For example, by increasing the supply of operating credits for some enterprises, the banks can enable them to earmark a greater proportion of development fund for investment purposes. Such a policy has been pursued by banks in the Walbrzych and Lodz voivodships in respect to selected textile manufacturers.

In most enterprises this year, the distributed profit and development-fund means are, predictably, at a level enabling their increased share in financing both investment projects and working capital. Banks expect the development funds to provide this year z1 262 million in investment funding and z1 106 billion in working-capital financing (as against last year's z1 157 billion and z1 58 billion, respectively).

The possibility of poorly controlled investment expansion is thus equally dangerous as the shortage of funds for repair and replacement. But it is not from the small enterprise-financed undertakings that the greatest danger comes. It comes primarily from some central investment projects, including those which are still carried on despite earlier decisions on discontinuation. This is also true of some former central projects enforced on enterprises. Despite the existing limitations and disequilibrium, big projects still stand greater chances of being launched than small-scale ones, even if the latter were incommensurably more efficient.

Table 1. Indices of Investment Activity in the Socialized Sector of the Economy in 1975-1982 and in the First Half of 1983 (in billion zlotys at current prices)

Specification	1975	1978	1980	1981	1982	1983 Jan-June
Cost-estimate value of newly started investment projects	393.6	438.1	221.1	142.7	679.8	283.4
Handed-over projects	276.9	350.6	256.5	210.3	380.5	104.5
Tied-up capital	360.7	620.9	797.5	835.5	1,113.5	1,171.9
--of which unoperated machines	27.2	47.5	53.2	67.2	83.0	81.4
--of which imported ones	17.6	34.7	32.6	44.3	48.5	44.9
Capital requirements for project completion	714.7	1,081.6	1,292.3	1,216.6	3,339.2	--

Source: 1983 Statistical Yearbook [Rocznik Statystyczny] and preliminary data for the first half of 1983

Table 2. Capital Spending by Sector of the National Economy
(at constant prices)

Specification	1980	1981	1982	1983 1st half*	1981 1978=100	1982
Socialized sector of the economy	1,339.4	996.0	839.3	424.0	59.4	50.0
Industry	482.5	351.1	304.8	154.0	52.9	45.9
Construction	62.0	35.1	17.8	7.9	39.7	20.1
Agriculture	173.1	131.1	95.8	44.7	55.7	40.7
Forestry	7.7	7.3	7.0	4.5	77.1	74.5
Transport and communica- tions	142.5	89.3	63.6	30.6	58.2	41.5
--transport	132.7	80.3	56.3	--	56.2	39.4
--communications	9.8	9.0	7.3	--	85.2	69.7
Trade	26.6	25.6	23.7	11.9	74.4	68.8
Municipal sector	80.8	74.0	74.6	38.2	75.8	76.4
Housing and nonmaterial municipal services	267.2	202.1	172.3	91.5	73.0	62.2
Science and technology	5.8	5.0	3.8	1.7	61.2	47.3
Culture and arts	3.9	2.2	1.9	0.8	51.8	43.7
Education	22.3	20.9	23.2	12.8	80.9	90.0
Health care and welfare	23.4	21.1	25.1	14.0	104.2	123.7
Sports, tourism and recreation	20.2	15.2	10.0	4.2	73.1	43.1
Other	21.4	16.0	15.7	4.5	64.8	63.4
Private sector of the economy	211.5	208.3	218.9	--	87.8	92.2
of which:						
--agriculture	96.9	104.7	103.1	--	104.5	103.0
--municipal sector	1.4	1.7	1.1	--	80.9	53.9
--housing and non- material municipal services	108.8	97.1	107.9	--	73.0	81.1

* at current prices

Source: Statistical Yearbook 1983

CSO: 2600/153

FUTURE OF NEW BANKRUPTCY LAW VIEWED BY SEJM DEPUTY

Warsaw RZECZPOSPOLITA in Polish 6 Sep 83 p 3

[Interview with Sejm deputy Zbigniew Zielinski (PZKS) [Polish Catholic Social Union] by Bozena Papiernik: "The Threat of Bankruptcy"]

[Text] We have been waiting a long time for the statute on reorganization of the economy of state enterprises and on bankruptcy, recently passed by the Sejm. The basic statutes on enterprises and self-governing called for determining the negative sides of the principles of the independence of enterprises and self-financing, and for regulating the procedure of action against sluggish producers. A RZECZPOSPOLITA journalist asked deputy Zbigniew Zielinski, who participated in the works of the deputy team preparing the final version of the reorganization-bankruptcy statute, to comment on its socioeconomic significance.

[Question] Mister deputy, the statute talks both about the reorganization and bankruptcy of enterprises. Which element of the procedure is being emphasized?

[Answer] The whole procedure has a certain unity and both its elements, reorganization and bankruptcy, are equally important. It is always better when preventive action brings the expected results without resorting to the unpleasant surgical operation to which an enterprise's bankruptcy can be compared. Bankruptcy involves the shattering of the enterprise's management and workcrew, and the need for people to look for new employment. One can foresee that reorganizational procedure, which puts the enterprise's economy in order from within, will be more frequent than bankruptcy, which is an extreme measure. Nevertheless, if the law is to help shape the economy, it cannot be a law in appearance only. Its role cannot be reduced to a straw man, as some people called it, to a means of mobilizing an enterprise without a real threat of bankruptcy.

[Question] What you are saying is true, although it does not sound pleasant. How realistic is it?

[Answer] The laws of economy are brutal and if we want to respect them, we must be able to show consistency in action, according to the rules of the economic reform. For several years now I have been voicing an opinion at the Sejm plenary sessions that the state cannot be a benevolent uncle who provides funds and supplies to all enterprises regardless of whether they produce better or worse, or achieve high or pitiful productivity. The modest means which we now have at our disposal ought to go to those producers who guarantee appropriate results. This is a question of the so called proper allocation of the means of production; that is, raw and other materials, and labor reserves. The statute ought to facilitate this process. The statute also has an educational sense, because it is guided by the slogan: "If you do not move ahead, you will not survive."

[Question] You have practical experience, you are the director of the multi-faceted enterprise "Libella," which is well known in the capital. Let us therefore look at the facts which you are perfectly familiar with. What does the expression "the appropriate results of an enterprise" mean?

[Answer] In terms of the statute it means a positive financial outcome; namely, profit. For years on end, enterprises were accountable on the basis of the size of their production and material results. Now the criterion has changed. The goal of the statute is to bring into relief the principles of the economy and to make the management and workcrews of the enterprises sensitive to productivity results. The threat of financial losses constitutes, in the letter of the statute, a reason to start reorganization proceedings, and insolvency is the ground for declaring bankruptcy. The statute gives an enterprise plenty of opportunity to cure its economy with internal forces and it also foresees external help if there is a chance for regaining financial balance over a longer period of time. If, however, there is no such chance, liquidation is the final resort. I believe that such cases will occur. We cannot indefinitely cover up the costs of mismanagement with subsidies or burden the customer with them. Those who will not be able to cope with the tasks or will produce at costs higher than the national average will have to drop out.

[Question] Are the formulations of the statute, both with regard to the initiation of the reorganizational proceedings and declaring bankruptcy, not excessively general? This can create the danger of their overly flexible interpretation.

[Answer] The letter of the statute is not ideal, perhaps, and the deputies working on it had similar fears. It was necessary, however, to adopt formulations general enough, so that the paragraphs of the statute could be employed in many diverse situations in which enterprises will find themselves.

[Question] So you are not afraid that general formulations leave the door open for distortions not in accordance with the intentions of the statute? After all, a temporarily unfavorable financial situation does not necessarily mean that the enterprise has no prospects for development. . .

[Answer] I will add here that financial deterioration within a period of a year, two years or even longer can be included in the reckoning ahead of time and can be a result of a modernization of the enterprise. The calculation of financial results, therefore, ought to comprise periods of several years, because then we can distinguish depressions calculated or dictated by the existing state of affairs, from those situations which genuinely lack prospects for a way out. Thus, when results are properly calculated and the enterprise is appropriately managed, I do not fear that decisions will be taken too flippantly.

I see the possibility of distorting the intentions of the statute somewhere else. It may be that managers, in order to protect themselves or to obtain the aid foreseen by the statute in the form of additional loans, special breaks etc., will prematurely start the procedure foreseen by the statute. However, there is a way of dealing with it. The management may not worry what will become of its workcrew, but workers self-management, as the representation of the workcrew, provides for a true obstacle in such situations.

[Question] And this, strangely enough, is being said by a manager!

[Answer] Such are the objective rights of self-government. The statute in its full length confirms the high position of workers self-management in the process of management, and equips it with considerable rights, particularly in the state of reorganizational procedure. Bankruptcy, on the other hand, is more within the domain of external actions, while the reorganizational process is an internal one and self-management plays in it the role of a partner with full rights. By its nature it is interested in putting the enterprise's economy and finances in order to protect it from bankruptcy and its employees from dispersion.

[Question] Let us briefly sum up the rights of self-management in the process of reorganizing the enterprise's economy.

[Answer] First of all, self-management can take a close look at the situation to see if it is ripe for an internal, reorganizational procedure and whether by taking additional action, the procedure can be avoided, since it may lead to bankruptcy. According to article 8 and 9 of the statute, following a consultation with the bank or the chamber of finance, the worker council makes a resolution regarding the program of reorganizing the enterprise's economy, by either confirming or rejecting the program. Thus the program must have the acceptance of the council, which by the same token assumes responsibility for its realization and integrates the workcrew around the goals of the enterprise.

[Question] This may look different in practice. . .

[Answer] I think that such critical situations for an enterprise, and the awareness that they may evoke, ought to cause people to bear in mind not only their own interest, but also the interest of their workplace, if they like working in it and feel bound to their colleagues and if they want to form a workcrew worthy of this name.

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CSO: 2600/37

IMPORTANCE OF BUCHAREST INTERNATIONAL FAIR STRESSED

Preview of Exhibits

Bucharest REVISTA ECONOMICA in Romanian No 39, 30 Sep 83 pp 9-10

[Article by Ioan Georgescu]

[Text] The present concern to improve foreign trade activities also extends to advanced techniques in the marketing and promoting of Romanian products for exportation.

Consistent with the modernized branch structure of the economy, the diversification of Romania's industrial production during the past decades, and its more extensive participation in the world's economic exchanges (about one-third of the national revenue is obtained from exportation), a greater need has been felt to present to foreign markets the radical changes that have occurred in our country's exportation offerings. At the same time, the conventions and standards of international trade now demand an exportation promotion activity based on the professional use of mass communications, graphics, design, and of course, sustained marketing.

Next week, Bucharest's modern exhibit hall will once more open its doors to the Ninth Bucharest International Fair, which has been held annually in recent years.

As part of the general nature of the fair, particular attention is devoted to machinery and tooling, industrial equipment, means of transportation, and chemical products, in keeping with our country's exportation program. (It is well known that by 1985, the machine building industry together with the chemical industry intend to cover about 60 percent of the value of Romanian exports).

The groups of products with which domestic and foreign companies have opted to participate are: metal processing machine-tools, fine machining, measurement and control instruments, optics, telecommunications installation, equipment, engineering, studies, and licenses, electrical equipment, electronics, automation, power generation, nuclear technology, ship and harbor

construction, metallurgy, mining, gas, and oil industry, chemical industry, pharmaceuticals, cosmetics, rubber and plastics processing industry, wood and furniture industry, cellulose, paper, as well as construction materials. The light and food industry will present textiles and clothing, leather and leather goods, shoes, as well as glassware, porcelain, and tile products. The consumer goods to be shown are: automobiles, motorcycles, scooters, bicycles, household appliances, home electronics, musical instruments, photographic cameras and materials, handmade and factory made rugs, crafts, household, sports, tourism, and recreation goods, raw and processed agricultural food products, soft and alcoholic drinks, household chemical products, cosmetics, pharmaceuticals, as well as a number of raw materials and basic materials such as dental products, other basic materials for chemistry, pharmaceuticals, and cosmetics, oils, lubricants, paraffins, and artificial fibers. Equipment for producing consumer goods and services will be represented by: equipment for the food industry, agriculture, forestry, packaging, furniture, as well as equipment for spas, hotels, motels, restaurants, and commercial units.

The interest shown in Romania's export offerings, and the possibilities for making useful contacts and transactions, have brought TIB a stable, consistent participation, and a high level of internationalization. The present TIB will thus house the official booths of 25 countries: Austria, Australia, Bulgaria, Canada, Cuba, Czechoslovakia, Egypt, the Philippines, France, Greece, RFD, GDR, Italy, Israel, Japan, Yugoslavia, Jordan, Iran, Pakistan, Poland, the United States, Turkey, USSR, and Zimbabwe.

Actually, the number of participating countries is larger, since many industrial and commercial companies of international reputation are maintaining individual displays. Among these are: Rank Xerox (England), Rhode und Schwart, Friedrich Wilhelm, Cheminst (Austria), Atomic Energy of Canada Ltd--AECL--(Canada), Applied Research Laboratories--ARL, Maschinen Export und Finanz AG (Switzerland), Comptoir de Commerce International--(CCI), Telemecanique (France), Mannesmann-Rexroth, Mark (FRG), C. Itoh, Akai, Mitsubishi (Japan), Unilever, Peja-Export, Philips (Holland), Bioton (Greece), and so on, for a total of more than 450 foreign companies from 30 countries. Romania's exportation program at the present TIB, presented at the stands of 44 foreign trade enterprises includes representative products from the export offerings of more than 600 centrals and industrial enterprises, scientific research and technical engineering institutes, and joint companies for production and sales.

A characteristic note for Romania's participation in this year's fair, is the great novelty of the products being shown, their higher technical level, and the large diversity of the industrial areas involved. For instance, 70 percent of the goods presented by most of the branches of the machine building industry are new compared to the preceding TIB.

Under these conditions, it is certain that the visiting specialists and businessmen will find the fair most interesting.

ICE	New products	Improved products	Renewal
Autoexportimport	35 %	42 %	77 %
Autodacia	22	78	100
Universaltractor	28	22	50
Industrialexportimport	42	43	85
Mecanoexportimport	39	23	62
Masiniexportimport	53	17	70
Electroexportimport	34	26	60
Textile Machinery Central	84	10	94
Uzinexportimport	79	10	89
Romenergo	38	39	77

As a preview, the motor vehicle industry will present at the ICE (foreign trade enterprise) Auto Dacia new, 1983 car models (Dacia 1320 sedan and Dacia 1320 station wagon, Dacia 1310 diesel, Dacia 1304 pickup, Dacia 1420 sports car, and Dacia 1304 panel truck). The line of all-terrain vehicles ARO 10 is represented by four new and improved models, and the ARO 240 line is represented by five diesel or gasoline models, including a six-cylinder deluxe model.

A large variety of transportation vehicles is shown by ICE Autoexportimport: trucks, trailers and semitrailers, container trucks, with engines of 133-360 hp for very different types trucks, utility vehicles, and heavy equipment. Of interest are the heavy vehicles made by the Mirsa mechanical enterprise: 30-ton dump trailer, 30-ton cement semitrailer, 550-hp tracked bulldozer, refrigerator truck, concrete truck, and large capacity (over 30,000 l) trailer tank.

The Autobuzul enterprise is showing new types of all purpose vehicles with improved technical and design specifications: vans, microbuses for trucking and urban transportation, pickups, special automobiles, highway buses, deluxe tourism buses, and trolley buses.

Still in the transportation field, are the items shown by the National Aeronautics Center: helicopters, gliders and motorized gliders, small and light planes, aviation engines, electronic and hydraulic equipment, testing equipment, and so on.

ICE Navimpex is presenting models of the ships currently being built by Romanian shipyards: cargo ships, tugs, liners, tankers for various purposes (vegetable oils, grain, oil), as well as many service and harbor maintenance vessels (coastal ships, supply ships, floating cranes, and so on).

As usual, the flag carrier of the fair will be a drilling installation built at the well-known Ploiesti plant 1 Mai, in this case the F-125 installation with drilling specifications equal to the highest in the world. ICE Industrialexportimport also presents the mobile drilling installation F-50-2, mounted on a mining equipment motor vehicle (front loading, coal face drilling installation, coal dehydrating installation), chemical equipment, industrial fittings, reducers, ventilators, couplings, and so on.

ICE Uzinexportimport, another representative of comprehensive exportation, is showing models and equipment for plants and production lines in the food industry (milling, baking, milk processing, meat processing, canning, measuring and bottling lines, refrigeration technology), for the cement industry, for shipyards, and so on. The models represent a number of objectives built abroad and turnkey-delivered by Romanian enterprises.

ICE Mecanoexportimport will be present with new types of high power, multi-function tooling produced by the enterprise Progresul of Braila (a multi-function earthmover machine which operates as loader, excavator, bulldozer, compressor, vibrator, forklift, clamshell), new types of excavators, new types of compressors and electric compressors built by the enterprise Timpuri Noi of Bucharest, an electric forklift, electric carts, pallet handlers, and cranes made by the Dr Petru Groza Mechanical Enterprise, turbine blowers, hydrodynamic and hydromechanical transmissions manufactured by Hidromecanica of Brasov, as well as railway cars and locomotives built by the enterprises Vagonul of Arad and 23 August of Bucharest.

The attention devoted to advanced technology is also reflected in the way in which products are shown in at TIB: the core of the central hall A was thus reserved for computer technology and automation equipment.

Along with the recent achievements of the computer industry--the CE 109 M, Coral, and M-18 computers, and the M-18 minicomputer--the fair will also present computer controlled systems at the booths of the Central Institute for Machine-Tools, Electromechanics, and Electronics. The range of computer and automation products being offered is completed with tape printers, disc memories, card readers, tape drives, and professional electronic components. For industrial automation systems, the fair is showing the lines Numeron, Ecarom, Telerom, Tetarom, as well as translators, servomotors, and so on, as part of operating systems.

With a new item ratio of 70 percent, ICE Masinexportimport is presenting a very extensive line of high precision and high yield, specialized and universal machine-tools. These are the Diamanta boring machines with high precision supports, built by the Bacau Machine-Tool Enterprise, the high precision and the fine machining lathes manufactured by the Arad Machine-Tool Enterprise, the programmed milling machine and the vertical processing center made by the Oradea Machine-Tool Enterprise, and the lines of specialized machines for the automobile industry built by IMUA (Machine-Tool and Aggregates Enterprise) of Bucharest, IMU (Metallurgical Equipment Enterprise) of Arad, and IMAMUS of Iasi.

The entire second floor of the central hall was reserved for Romanian and foreign chemical industry products. Romania's chemistry, represented at the fair by the specialized foreign trade enterprises ICE Chimexportimport and ICE Danubiana, has increased its exportation volume by a factor of 13 in the past 15 years, together with restructuring this exportation toward highly processed products (both ICE's hold the international prize for quality--the Gold Mercury). At the same time, it is a matter of legitimate pride that 90 percent of the technology used in the chemical industry during the past decade is based on Romanian research and projects, implemented in installations that are also of original design.

Romanian chemical products, well regarded on the 110 foreign markets to which they are currently exported, have received in recent years 50 gold medals at various international fairs and specialized expositions in various countries.

The more than 1800 production capabilities placed in operation in this branch since 1965, lend Romania's chemistry an outstanding potential (contributing 15 percent of the country's total industrial production). Compared to the world average production per inhabitant, Romania's production is 6.96 times greater for butanol, 4.8 times for phenol, 4.06 times for phthalic anhydride, 4.14 times for acrylonitrile, 2.6 times for sulfuric acid, 12.7 times for ammonia, 4.57 times for caustic soda, 7.2 times for calcined soda, 5.84 times for nitrogenated fertilizers, 7.1 times for superphosphates, 3.53 times for synthetic rubber, 5.17 times for cellulose fibers, and 4.23 times for PVC.

Particular attention is devoted to increasing the value derived from raw materials through development of fine synthesis, low-tonnage chemistry. The products made by the Industrial Central for Pharmaceuticals, Cosmetics, Dyes, and Lacquers are highly esteemed on foreign markets. Currently for instance, pharmaceuticals alone add up to more than 800 varieties for human consumption (antibiotics, vitamins, chemotherapy) fabricated in four specialized enterprises in Bucharest, Iasi, and Cluj-Napoca.

The 1985 production of pharmaceuticals, detergents, and cosmetics is expected to be three times higher than that of 1980. In addition to the well-known Romanian pharmaceuticals Gerovital, Aslavital, Tropofar, Ulcosilvanil, Boicil forte, and Covalitin, the fair is presenting the new products Apilarnil, Apilarnil-Prop, Piafen, Ergoceps, Cornhidrol, Progesteron retard, and Clortrimasol. New cosmetic items are the complete lines for complexion care and treatment, Miss, Otila, and Acanta, the hair care line Lyss, as well as as the Arlechin makeup and lipstick.

The production of synthetic fibers and filaments, currently oriented toward acrylic fibers, polyamide fibers and filaments, polyester fibers and filaments, and polypropylene fibers, is based on original processes whose technical level is comparable to the best in the world (hygroscopy, feel, low electrostatic charging and flammability, good whiteness). For instance, the use of Relon fibers has diversified constantly extending from silk-type continuous fibers, textured fibers, technical fibers for cords, carpet fibers, to polyamide granules for castings. With a production of synthetic fibers and filaments of 7 kg/inhabitant--exceeding by far the world average of 3 kg/inhabitant--our country has a large exportation potential. For instance, the international cooperation achieved in this area by the joint company Rifil, is a good commercial reference for the quality of Romanian fibers and filaments.

Another success for ICE Danubiana is the Romanian synthetic rubber and the tires exported under the brands Victoria and Danubiana. The strong development and diversification of the industry for means of transportation has made great demands on this sector, which in recent years has manufactured tires for cars, heavy trucks, buses, trolley buses, tractors, combines,

airplanes, and so on. The ICECHIM (Central Institute for Chemical Research) formulation of an original technology for ethylene-propylene-diene terpolymers has made it possible to obtain new types of high quality synthetic rubbers for the most diversified technical products. Based on domestic research, significant progress has also been made in developing polyurethanes (intermediate polyesters, polyesters, flexible and rigid foams, synthetic leathers, and so on).

The increased degree of oil processing through the Chemification Program, will lead to higher quantities of basic products, such as ethylene, propylene, benzene, styrene, octanol, phenol, and acetone, as a condition for the continued development of the petrochemical industry.

The chemical industry is currently producing a large variety of lacquers, paints, enamels, with modern lines of dyes being shown for synthetic and artificial fibers and filaments, as well as special dyes for PNA fibers. Among the new lacquers and paints are those formulated for the Olcit and the new Dacia car models, electrical insulating lacquers, special paints for constructions, and so on. We cannot conclude the description of the chemical section of TIB without mentioning the exceptional quality of the presentation, the fine design of the stand, and the pleasant environment created for the products. To which we can add the special graphics of the publicity materials.

Romania's offerings at TIB are certainly much more extensive, as we have shown above. In future issues we will discuss the presentations of the other branches and sectors at the fair: the light industry, the forestry and wood processing economy, constructions and construction materials, agriculture, scientific research, culture, cooperative production, crafts, and so on.

The examples of the exportation program for the two largest groups of Romanian exported products (machine construction and chemistry) illustrate the great achievements obtained by our country under the leadership of the RCP in the past decades, as well as the wish of the Romanian organizers to open new perspectives for a more intensive economic collaboration and cooperation with an even larger number of countries on all continents.

Success of Romanian Displays

Bucharest REVISTA ECONOMICA in Romanian No 41, 14 Oct 83 pp 11-12

[Article by Ioan Georgescu]

[Text] Yesterday, the doors were opened on the Ninth Bucharest International Fair--the major international show hosted by our country. As a summary of the most important economic achievements that have occurred since the last fair, Romania's participation in TIB has once more generated a lively interest among the hundreds of thousand visitors: businessmen, technical specialists, journalists, as well as a large domestic and foreign public.

The significance of this gathering of more than 1000 Romanian and foreign exporting companies from more than 30 countries, reaches beyond direct commercial interests--importation and exportation transactions--and international cooperation, with TIB becoming a major instrument for direct economic information about the new achievements and significant restructuring of Romania's exportation offerings from one year to the next.

For those of our readers who could not visit the fair on 6-13 October, we will attempt to briefly describe some aspects of the consumer goods offered by Romania at this year's fair (the means of production being offered at TIB were described in issue 39/1983 of this magazine).

The consumer goods industry was well represented at TIB by the most diverse sub-branches, with products of the highest technical and functional level, and of the best taste and originality.

Amounting to 27.3 percent of our country's total exportations (the 1981 level of exported light industry and agricultural food products), consumer goods have become consistently more competitive on foreign markets, with Romania's offerings being comparable today to those of any reputable foreign company. In this respect, we will note the exceptional quality of such groups of products as furniture, ceramics, interior decoration goods, leather and shoes, clothing and knits, textiles, rugs and crafts, cosmetics, canned goods and processed meats, vegetables, honey, wines, and so on.

Of the more than 24,000 items presented by the light industry, more than 80 percent are new or improved products, reflecting dynamic creativity, fashion awareness, and concern for greater product attractiveness and functionality.

At the booth of ICE Romanoexport, the textile industry presented new fabrics of natural fibers and blends, with improved properties obtained through new technologies that reduce weight and improve finish, elasticity, sheen, and touch. The magnitude of the renewal process is evident when we consider that during this year alone we will produce about 70,000 new items, models, designs, and color patterns. The achievements of the textile industry are based on the large investments being made in this sector, and the original technologies being formulated by the Design Institute for Light Industry Technologies, which is well known both here and abroad for its products. During 1982 alone, for instance, 43 new units (or departments) were placed in operation: the Lupeni Silk Mill, the Panciu Knits Enterprise, the Flaminzi and Baia Mare cotton spinning mills, new production capabilities at Industria Linii in Timisoara, at the Gheorghieni Upholstery Fabric Enterprise, at the Alba Iulia Pile Carpet Enterprise, and at the Nehoiu Knits Enterprise, as well as new spinning mills at Abrud, Isaccea, Murgeni, and Darabani.

The orientation toward better exploitation of domestic raw materials and qualification of the work force in local traditions, can be seen in the continued development of these sub-branches, and in this year's start of a hemp mill at Palticeni, a reusable materials processing department at the

Proletaru enterprise in Bacau, a department for sorting and preparing reusable materials at the Timisoara Textile Enterprise, and of an enterprise for non-woven textiles in Rimnicu-Vilcea, which exploits new sources of raw and secondary materials. At the same time, the start of the Horezu Upholstery Fabric Enterprise, and the development of the pile carpet facilities in the town of Siret, and of the felt facilities in Prejmer, Buhusi, Timisoara, Brasov, and Sf Gheorghe, exploit the local experience and traditions of crafts production.

The cotton industry centrals in Arad, Iasi, and Bucharest displayed at the ICE Romanoexport stand white, printed, combed, and carded fabrics, and a wide range of finely printed interior decoration products. The Knit Industry Central presented a broad selection of good quality wool and cotton knits for all ages.

The collection of fabrics from the Wool Industry Central, which every year acquires 500 new items in more than 12,000 color patterns, included quality items under the brands Dorobantul of Ploiesti, Carpatex of Brasov, and Libertatea of Sibiu, all of which stamp their products with the trademark of international reputation, Woolmark. The 45 enterprises of the Silk, Linen, and Hemp Central were represented by a broad range of silk fabrics, printed decorative fabrics, and upholstery fabrics, all of them reflecting fashion awareness and concern for quality.

Based on such solid raw materials foundations, the clothing industry has added the distinctive note of creativity and faultless execution of the Confex brand, to stand out through the exceptional quality of its wellknown products that are esteemed in the more than 50 countries to which they are currently exported.

The leather and shoe industry, which also exports its products to tens of countries throughout the world, presented at the ICE Arprimex booth a good range of products--footwear for all circumstances, new models of leather clothes and fur coats, and various leather goods reflecting an elegant and tasteful design, unquestionable quality, and respect for the name brands of plants with good traditions in Bucharest, Timisoara, Cluj-Napoca, and Sibiu.

A diversified display of glass, porcelain, and tile products complete the hall of the light industry. Although no longer considered as novelties, Romanian crystal, Romanian porcelain, the Murano and Galle style glass products, and so on, still reflect at the present TIB the new designs introduced in this sector. The same is true for household products and toys, which demonstrate the interest in a systematic approach to product design, so as to facilitate integration into the highest requirements of the domestic and foreign markets.

During the visit of the country's president, Nicolae Ceausescu, the light industry was asked to continue to increase and diversify production in order to fully satisfy the existing demand for the domestic market and for exportation.

A vast movement of renewal and diversification is also reflected in the wood processing and construction materials sector. The introduction of new furniture models based on new standard dimensions, the standardization of components and panels, and the application of new finishing technologies, will economize nearly 2 million cubic meters of wood during this year, thus allowing an additional production for exportation of more than \$14 million.

The furniture samples presented at the ICE Tehnoforestexport booth, such as the Louis XV bedroom, the Trianon dining room, and the Nevada colonial bedroom, are good illustrations of this new promotion of a matte finish, of the fabrication of multifunctional units (such as the Lutzern unit, combining a kitchen and living room), and of the design of unified units (such as the Linda models of living rooms, dining rooms, and bedrooms).

In the area of construction materials, ICE Vitrocim displayed bathrooms completely decorated with tiles handmade by designers and artists, new models of bathroom equipment, carpets, and fittings of modular design, aimed at reducing weight while improving the functional and esthetic aspects of the products. Particularly attractive are the new models of prefabricated wood cabins: Agapia, Tomis, and Narcisa, which are well received abroad.

In the musical instrument sector, we find the Lipatti piano and the George Enescu upright piano, in which technical quality is blended with the elegant lines of the finish.

The small and crafts industry was present with clothing of Romanian folk style, and with small-run furniture and interior decorating items of exceptional quality, most of them being handmade (clothing, rugs, wood carvings, ceramics, metals, weaves, pottery, and so on). Particularly notable is the ICECOOP exhibit in hall T, whose environment (booth design) as well as quality of products (furniture style, signed ceramics, rugs, embroideries, crafts items, wrought iron) reasserts the traditions and prestige of crafts in our country.

As a result of these exportation offerings, many import-export contracts were signed before the closing of the fair. By the time of our deadline, the first days of the fair created an intense commercial activity crowned by many such contracts.

Most of these certainly cover product groups of the machine building industry:

For oil equipment, an area in which Romania is second in world exportation, and which includes oil installations, roller bits, cement installations, and casing heads, contracts were signed with USSR, GDR, Albania, Poland, Bangladesh, Egypt, and Iraq.

For automobiles, trucks, tractors, agricultural combines, and subassemblies, contracts were signed with companies in Argentina, Austria, Finland, Cuba, GDR, USSR, Egypt, Turkey, and Iraq.

For high voltage electrical equipment, and electrical installation tooling and components, with companies in Egypt, Iraq, and GDR.

For electric motors, light sources, computer equipment, home electronics, active electronic components, geophysical instruments, machine-tools, and accessories, with companies in USSR, GDR, Poland, Hungary, the United States, Turkey, and Bulgaria.

For railway rolling stock and spare parts, naval equipment, cranes, and construction tooling, with companies in Cuba, USSR, Czechoslovakia, GDR, and Argentina.

For steel products and metallurgical raw materials, with companies in Czechoslovakia, FRG, Japan, the United States, Turkey, England, Switzerland, and USSR.

For chemical products (chemical fertilizers, petrochemical products, dyes, pharmaceuticals), with companies in Austria, Switzerland, France, Finland, Japan, Yugoslavia, Bulgaria, India, Algeria, the United States, and Cameroon.

For furniture and wood products, with companies in FRG, France, England, Sweden, and Saudi Arabia.

For light industry products, textiles, clothing, shoes, and so on, with companies in the United States, Italy, GDR, FRG, Norway, USSR, and Finland.

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CSO: 2700/30

ECONOMISTS SCORE 1984 RESOLUTION AS BASED ON RESTRICTIONS

Zagreb DANAS in Serbo-Croatian 4 Oct 83 p 22

[Excerpts] It does not often happen that the most well-known Yugoslav economists show such agreement on the most important questions which at present confront the country's economic policy, as happened at last week's meeting of the Federal Economic Council. The general assessment was that we have become so accustomed to an economic policy based on restrictions that it is becoming a way of thinking and of public action. This has necessarily led to a system of requisitioning, prohibition, and egalitarianism (Miljko Trifunovic [said]). In connection with this it was heard that the basic problem is the proposed resolution on economic policy in 1984 which as a concept is completely unacceptable (Marjan Korosic) because it offers restrictions and prohibitions as the major tool of a "command economy." The old question is reopened: how is stabilization [to be understood] with a zero rate of growth (since it is estimated that this year it will be minus 1 percent and in 1984 plus 1 percent). In addition, there is the question of how to understand a further reduction of investment by 19 percent (20 percent in 1983), a 3 percent increase in employment, a 2 percent decline in productivity and 5.5 percent reduction in real personal incomes.

The fact that along with these unfavorable indicators, a 3 percent increase in employment is planned shows that this resolution is also a social program. The result of such a program--the further decline in labor productivity, destimulation of workers, will lead again to a leveling [of earnings] (Radovan Milanovic). Because of this, among other things, the view was clearly brought out that any stabilization program must contain a selective mechanism for investing (Ksente Bogoev).

In what way are requirements for introducing real economic categories brought out [in the resolution], [categories] such as amortization, capital accumulation, dinar circulation, or real (economic) rent (Dragomir Vojnic). In order to bring this about, a number of measures are needed, some of which are urgent and about which there should be no dilemma or delay (Kiro Gligorov). It is above all a question of basically reforming prices, introducing a foreign exchange market, establishing the criteria in creating and distributing income, and selective reprogramming of debts. Because of the dilemma surrounding these questions, most of the criticism by almost all participants in the discussion was directed to the text of

the resolution. They insisted that these measures must be known by the end of the year in order for the economy to know what to calculate for next year.

There was general agreement also on the need to introduce a foreign exchange market about which there were also entirely new proposals (Ante Cicin-Sain). This involves the so-called "organizing of a foreign exchange market" in which the rules of the game would be well known in advance. It was said that without this market there can be no market of any kind. The economists noted that the question of prices is being publicly interpreted as a question of responsibility and morality of business people (Zoran Pjanic). In so doing it is forgotten that higher prices are the logical desire of business people insofar as the position on the market directs them to this. Conditions should be created so that [prices] do not depend on their desires but on the force of the economy (Branislav Soskic). Another question is how economic laws can be respected when there is 60 percent inflation (Ivo Fabinc).

Sharp criticism was made of the possibility of proclaiming a moratorium on internal debts. Only the debts of economically sound investment projects should be reprogrammed, because all others would have to be financed from primary issue (Neven Mates).

The biggest surprise was the orientation of those who proposed that interest earned on dinar savings above a specified amount should be taxed. These [interest rates] are now three times lower than the inflation rate which means that savers are voluntarily renouncing part of their money. Consequently, this proposal did not get much attention.

The general conviction of the participants was that there is not yet sufficient readiness for deep changes in the economic system and policy. Demands were heard for changes in the political sphere without which, it was said, economic changes cannot be implemented.

An unusual amount of attention was devoted also to problems of economic organization, especially large technical and technological systems, which, it was said, it is absurd to apply to our modern realities; [much attention was also given to] the role of basic work organizations on the market.

The critics of the 1984 resolution best expressed the major point in formulating the resolution when they said that our economy is a sick person who weakly reacts even to strong doses of well-administered therapy.

CSO: 2800/78

MONETARY CREDIT POLICY DATA FOR 1984

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Oct 83 p 9

[Article by Lj. B.: "Election for Priorities"]

[Text] The money supply in 1984 could be 20.5 percent greater than at the end of September if the envisaged 27-percent nominal growth of the social product is realized. Total net domestic assets of all banks, aside from the effects of changes in the dinar's rate of exchange, could increase by 10.3 percent at the most. Within that framework total bank lendings could increase as much as 13.8 percent, while dinar lendings would be allowed a rise up to 16.3 percent. It is also assumed that there would be about 95 billion new dinars from primary note issue, and total deposits would be up 16.9 percent (dinar and foreign exchange). A minimum rate of interest of 18 percent would be introduced as of the beginning of next year on all lendings of commercial banks.

Put most briefly, this is the framework of monetary-credit policy for 1984, so "calculated" as to support achievement of the basic goals of the offensive approach to socioeconomic development in the coming year. They are also contained in the draft of the order on the goals and tasks of joint note issue and monetary policy and the joint bases of credit policy in 1984, which has just been submitted together with the draft of the resolution to the delegates of the SFRY Assembly. There is no question that this is an important accompanying document which further concretizes conditions for economic activity in the coming year and makes them more certain.

Restrictions

What, then, will the economy be able to count on with respect to note issue policy and monetary and credit policy? Put most succinctly, priority will have priority in their measures as well as in the business policy of the banks. Thus within the framework of the envisaged growth of bank lendings absolute priority will go to the financing of exports to the convertible area, production and preparation of goods and services destined to go abroad, production and inventories of the basic farm products and foodstuffs, and formation of the necessary reserves of those products, and finally, to the production of energy and other raw materials and production supplies replacing imports. To that end it has been provided that the National Bank of

Yugoslavia prescribe in 1984 a restriction on the volume and growth rate of bank lendings which will apply to all, except that the policy of restrictions will be conducted on a differentiated basis by types and in conformity with the priorities.

Taking this commitment as its point of departure, the draft of the order provides among other things that the investment credits of the banks in fixed capital may not increase beyond those credits as of 31 December 1983, and amounts collected on those previously granted shall be committed exclusively to the priority purposes. However, the restrictions do not apply to bank lendings made from the resources of the Federal Fund for Credit Financing the Faster Development of the Economically Underdeveloped ... for renewal and construction of earthquake disaster areas or from the supplemental and special funds used for the faster development of SAP [Socialist Autonomous Province] Kosovo. Nor will there be restrictions on lendings for the credit financing of exports of equipment and ships and for performance of work on construction projects abroad.

The National Bank of Yugoslavia will be able to regulate the growth of other lendings on a differentiated basis, in conformity with the policy governing their growth and the available limits for the growth of total lendings. Subject to the requirement that the highest priority treatment must be given to lendings for export transactions and for the production and inventories of basic farm products and foodstuffs.

To Whom Will Primary Note Issue Go

The additional amount of primary note issue is almost entirely intended to meet the needs of the economy. It will first be committed to the purchase of short-term transferable securities issued by economic organizations to their internal banks representing transactions in selling goods and rendering services within the country as well as for credits to banks on the basis of those securities. Realization of selective goals and tasks in 1984 will also be maintained through primary note issue, which is to be done by a monetization of securities that would have selective features.

Again in the coming year support will be given to those purposes set forth in the Social Plan covering the period up to 1985 and which were in effect this year--beginning with exports and running to the sale or purchase of domestic equipment, ships and rail vehicles on credit within the country and importation of the most important products (raw materials) from the developing countries and from certain currency areas. In addition, the draft of the order provides that a portion of primary note issue is also to be used for credits to the banks on the basis of definitive sale of foreign currencies of individuals. These resources, however, will be very limited in view of the needs of the economy in those lines of development which have priority.

Incidentally, primary note issue will first be used, under more favorable terms and conditions than those that apply to other selective purposes, for the production and preparation of goods and services for export, for actual exports, as well as for the production and inventories of basic farm products

and foodstuffs and for formation of reserves of those products. The use of note issue for imports will be regulated restrictively, and its support will be given only to imports of the most important products (raw materials) from the developing countries and from certain currency areas and in accordance with special lists. The terms and conditions of this kind of use of note issue will be less favorable than other purposes with respect to the rediscount rate.

To tell the truth, if the size of primary note issue is not sufficient for all purposes, the necessary amount of resources will be furnished primarily for export transactions, for production and inventories of basic farm products and foodstuffs, and for coal inventories. It will not be possible to use primary note issue, according to the draft of the order, to build up inventories of goods held in order to create artificial shortages and pressure on prices. Should this occur, the resources of the banks or those products will be kept from the organizations holding those inventories, and use of primary note issue on that basis by the banks will be stopped. That will also be the fate of all those who purchase basic farm products and foodstuffs otherwise than under the agreement on the organized purchasing of those products.

The draft of the order also insists on tightening the responsibility of the banks for regular performance of obligations within the country and abroad as a precondition for use of primary note issue. In 1984, the draft of the order provides, the gradual bringing of interest rates into conformity with the rate of inflation will continue. The proposed minimum interest rate of 18 percent will be adjusted by at least one-third of the difference between that rate and the rate of inflation occurring in 1983. As an exception it would be adjusted by at least one-fifth of the difference with respect to credits which commercial banks extend from their own resources for certain priority purposes.

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CSO: 2800/71

SMOLE DISCUSSES IMF CONDITIONS, COMMODITY CREDITS, LIQUIDITY

Belgrade PRIVREDA PREGLED in Serbo-Croatian 29-31 Oct 83 pp 1, 11

[Interview with Janko Smole, member of the Federal Executive Council and chairman of the Coordinating Body for Implementing the Package Program for Financing the Deficit in the Balance of Payments and for Maintaining the Country's External Liquidity, by Slobodan Tanovic, PRIVREDA PREGLED editor: "Strong Levers for Accomplishing a Change of Direction"; date and place not specified]

[Text] Janko Smole, member of the Federal Executive Council and chairman of the Coordinating Body for Implementing the Package Program for Financing the Deficit in the Balance of Payments and for Maintaining the Country's External Liquidity, kindly responded to the request of the editors in making the following answers to the questions of our editor Slobodan Tanovic.

[Question] Remarks have been made in the world public, especially from countries burdened with high external debts, that the requirements being imposed by the International Monetary Fund when it extends credit and also with respect to the conduct of economic policy are difficult and rigid. What has the Yugoslav experience been in the dialogue with the IMF?

[Answer] It is a characteristic of the present period that large foreign credits cannot be obtained without the International Monetary Fund. The causes of this should be sought in the liquidity crisis and in the high level of debt of the developing countries, which runs to some \$700 billion. Under those conditions commercial banks are not willing to enter into further transactions without the IMF and other institutions such as the International Bank and the Bank for International Settlements, or indeed the government. That is why Yugoslavia has had to obtain a combined credit from the International Monetary Fund and the government and banks. In the period 1981/83 Yugoslavia was extended "standby" credit by the IMF, which was to be reassessed each year. In 1983 Yugoslavia received from the International Monetary Fund slightly more than \$600 million.

Realistic Rate of Exchange Because of Export Needs

The involvement of the IMF and its verification of some country's stabilization program are a condition for obtaining the credit of commercial banks.

In Yugoslavia's case the IMF's policy concerning credit financing is in line with our own commitments in certain domains, above all in the policy of the realistic rate of exchange of the dinar and interest rate policy.

Indeed we had previously committed ourselves to the policy of a realistic rate of exchange of the dinar in all economic policy documents. However, this has been left at the level of verbal support, while in practice the dinar's rate of exchange has not kept up with the difference between domestic and foreign inflation. That rate of exchange has been the cause of the Yugoslav economy's absence of motivation based on income. Today we are consistently conducting a policy of the realistic rate of exchange of the dinar, but not because of the International Monetary Fund, but above all because of the needs of the export business.

The rate of exchange must keep pace with inflation. That is why we must turn toward reducing the rate of inflation instead of attempts to restrain the rate of exchange of the dinar. Achievement of the latter would be like sawing off the branch we are sitting on, renunciation of the important instrument which the floating rate of exchange is, and paralyzing our export efforts.

High Interest Rates Are Inevitable

One hears objections that the floating rate of exchange backs up the dinar and generates inflation. These conceptions are held especially by those who swear by the realistic rate of exchange as a matter of policy, but do not own up to the consequences when it comes to practice. It is certain that the rate of exchange does have that effect, but it is a warning that we must turn to the sources of inflation. The rate of exchange is only a derivative, while the basic foundation of inflation lies elsewhere.

The floating rate of exchange, when the rate of inflation is high, shows that we have been living too long below the level of discipline and productivity accepted by the world market. The illusion that we can go on doing as we have done is shattered in the present international climate. This is not the fault of those who are tied to the production cycle, but of those outside it, in the administration, in the banks and various institutions, whose duty it was to offer support to the development of productivity.

[Box, p 1]

Interest Rates Higher Than Inflation

We have now committed ourselves to interest rates which are higher than the rate of inflation. This is a difficult approach to take when the economy is overindebted, but it is the only way for us to turn toward pooling the capital of self-managing entities and toward a production capable of providing working capital. I do not think that we are exaggerating with respect to the role of interest rates.

[The answer continues] The second among the levers for accomplishing a change of direction which need to make the Yugoslav economy competitive is interest rate policy. The approach has been taken that it is normal for interest rates to be lower than the rate of inflation. We protest the high volume of bank credit, but the previous policy of low interest rates simply oriented all entities toward borrowing. It signified a disguised subsidy of unprofitable production, on which no records were kept anywhere.

I do not think that we are exaggerating with respect to the role of interest rates. Certainly they cannot solve our problems, and interest rate policy also has its shortcomings. At the same time we must not underestimate the kind of instrument which interest rate policy is. It encourages saving, and it should also free us of arbitrary subsidies and various elements which deform production costs and the structure of production.

A question which is still outstanding in the dialogue with the IMF is fiscal policy. Under the conditions of inflation it would be normal for a portion of the capital to be immobilized. That would be support for credit-and-monetary policy, which is restrictive, but which has a limited range unless it is accompanied by the freezing of a portion of the income of sociopolitical communities.

[Box, p 11, left]

This Was Not Imposed on Us From Outside

I would like to point out that neither interest rate policy nor the policy of the realistic rate of exchange of the dinar are elements imposed from outside and alien to our system; rather, they are only being incorporated into the system tardily.

[The answer continues] There is justification for the effort to augment the material base of associated labor, which is what we have committed ourselves to verbally. But with equal legitimacy a portion of income should remain outside excessive spending and also outside the credit potential of the bank. The conditions for the economic motivation of the economy to export are created by halting excessive consumption, by bringing supply and demand into balance, and by calming down inflation.

Removing the Elements Which Act as Disincentives on the Way to the Use of Credit

I would also mention a fourth question that is present in the talks with the International Monetary Fund, one which is important to the functioning of the economic model. This is the need to halt the present torrent of mutual credit financing of organizations in the economy. This is an erosion of all credit-and-monetary policy and an obstacle to a timely change of direction toward restructuring that production which because of its costs is unable to become involved in exporting.

[Question] The commodity credits of the governments of the Western countries which are signatories of the Berne memorandum, which are intended for the importation of production supplies, are supposed to offer a stimulus to exports, to exports to the convertible area. One hears that the use of those credits is not in line with either the expectations or needs of the economy. Where should one seek the causes of this?

[Answer] Commodity credits were negotiated with 15 Western countries. They represent an instrument for augmenting the exports of the creditor countries, an instrument that has relevance in a time of recession and low demand. A specific law and also regulations were adopted concerning the use of these credits.

I would note that the resources represented by the commodity credits have been used to a very small extent. That is why a reassessment should be made of the regulations and of practice in order to ascertain where the elements lie which are acting as a disincentive on the way toward their more intensive use. So far we have used credit from the United States (referred to as CCC credits) to purchase raw materials--cotton and hides--which are used in carrying out our export programs. Farm products and foodstuffs such as oil and soybeans, which are important to the supply of the domestic market and to material reserves, have also been purchased with CCC credit.

The applications for use of credit of the Federal Republic of Germany and France are relatively low. Arrangements have not yet been concluded with certain countries because of their demands that it be used primarily for equipment or new projects, which is not in line with the needs of liquidity, nor with economic policy and the country's planned ambitions with respect to exports.

Certain solutions called for by the economy have already been adopted so that goods might be imported more effectively on credit. I would mention, for example, spare parts for current maintenance, which can now be imported even on credit, since the export process will be crucially dependent upon regular supply in this regard. Earlier regulations concerning the strict monitoring under which work organizations had to prove that the material would be installed, have prevented the economy from deciding to use the commodity credits. They have now been amended.

Forward Purchase and Sale of Foreign Exchange--Contribution to External Liquidity

The question of differences in rates of exchange which occur in connection with the use of commodity credits does, however, still remain open. There should among other things be a study of relevant solutions in order to overcome the burden of differences in rates of exchange that arise when exporting organizations use commodity credits. They constitute a risk which the economy is unable to take. One of the possible solutions might be so-called forward contracts, that is, contracts in which the value of the rate of exchange of the dollar would be fixed at the corresponding level in advance. In this way producers who are exporting would not bear the entire burden of

differences in rates of exchange. This would facilitate the use of the commodity credits, and it would augment the inflow of additional liquid capital.

[Question] As for liquidity, how do you look upon fulfillment of obligations to foreign creditors during this year?

[Answer] So far all the fixed and current obligations of the banks abroad have been met. There are work organizations, however, which are not meeting their obligations under previous credits. Sometimes such debts abroad have been paid by foreign government agencies for refinancing and ensuring risks, which have guaranteed the transaction. In the creditor countries this creates an unfavorable climate for Yugoslavia as a debtor. We have to resolve this issue, since it is a condition of trust. I would mention that work organizations are required to furnish the foreign exchange to meet their obligations on time.

[Box, p 11, right]

Excess Income Not Based on Work

We should point out one adverse manifestation which has to be corrected by a solution not yet found. It has been observed that Yugoslav work organizations are not withdrawing their claims abroad in convertible currencies within the period of time required by law. In the context of the floating rate of exchange of the dinar, they realize excess income by this hesitation without working, which is unjustified.

[The answer continues] If work organizations were offered the opportunity to sell receivables representing the proceeds of export to the convertible markets, this would at the same time speed up collection from abroad, which would also guarantee a strengthening of the country's liquidity.

In the first 8 months of 1983 the Yugoslav economy made use of little foreign credit. Two installments of the IMF credits were received, and financial credits were granted by certain countries such as Great Britain, Switzerland, Holland and Italy as part of the financial support package. As I have already mentioned, the resources made available by certain countries which are our important trading partners in the form of commodity credits have been used to a lesser extent. It is a great success on the part of the Yugoslav economy that under conditions of this kind of use of foreign capital it has been able to maintain the level of production and considerably augment exports to the convertible market.

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INVESTMENT PROJECTS IN SERBIA PROPER

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 28 Oct 83 p 4

[Text] In Serbia proper 7,052 projects with a total estimated cost of 485 billion dinars were under construction as of this March. This merely confirms the thesis of the broad front of investment, which obviously exceeds available capabilities.

It is self-evident that this figure of over 7,000 projects contains a large number of quite small projects--from the purchase of one or two machines to eliminate a bottleneck in production, all the way to expansion of one or more rooms. But they also include a sizable number of formidable investments lasting 3 years or more. It is disturbing that the level of completion of investment projects already under way is only 48.5 percent.

Almost all branches are investing. The economy's entire accumulation is being exhausted, working capital is being transferred to fixed assets, and bank lendings are being atomized. Under such circumstances cost overruns are occurring or investment projects are undertaken without sufficient backing. The programs are then broken up into stages of construction, funds are furnished only for the first stage, and behavior thereafter follows the pattern of the old saying to the effect that when a child is born, someone has to rock it.

Yet something has after all changed in overall investment policy. There has been a considerable growth in the share of the economy's own capital in investment projects. Organizations of associated labor in the first 7 months of this year paid 57.4 percent of funds for investment projects out of their own capital or pooled capital. In the breakdown of total investments economic investments represent 75.8 percent, and of this 67.8 percent are those regarded as priorities within the republic. Nevertheless, recent discussions have shown that in view of the restriction on the lendings of commercial banks and within the framework of the priority investments, a strict selection needs to be made and only those with the highest priority selected. This move is more than necessary, since there simply is not enough capital.

However, in the context of the efforts for the most optimum possible use of the reduced volume of investment capital there was a real surprise in the most recent figures of the Social Accounting Service stating that in the

first 6 months of 1983 notice was given of construction of 1,844 new projects with an estimated cost of 23 billion dinars. Over the same period of last year construction of 1,853 projects with an estimated cost of 24.8 billion dinars was reported. It follows from this that one out of every three basic organizations is undertaking some new investment projects. With all the reservations necessary to any profound analysis of these figures (after all, a sizable portion of these investments are those smallest ones), one cannot avoid the impression that the race for investments is still a large-scale phenomenon in spite of the shortage of capital, illiquidity and the seriousness of the economic situation.

There are new moves on the horizon in the republic which are supposed to suppress the still pronounced "investment hunger" and to bring it into the limits of available capabilities. The shortcomings exist above all in the way decisions are made concerning investment projects, but the criteria of the bank to be used in selecting programs and selecting those which are most acceptable have not been made uniform as yet, not even those which concern priorities.

7045

CSO: 2800/71

WESTERN REPORT ON BANKING SYSTEM

Munich **SÜDMOST EUROPA** in German Sep 83 pp 508-521

[Article by Dr Hans-Christian Iversen, member of East Europe Institute at Free University Berlin: "The Commercial Banks as Affected by Yugoslavia's Financial Crisis"]

[Text] Until recently, little attention has been paid to the role played by the commercial banks in the socialist self-administration economy of Yugoslavia. It was not until the summer of 1982 when Yugoslavia's large foreign debts led to shortages of foreign exchange reserves primarily in some of the commercial banks in Croatia and Kosovo and to arrears in payments at year's end that questions began to be raised with regard to the role played by the commercial banks, the reasons for temporary declines in bank liquidity and the guarantees which the commercial banks, the national banks of the republics and autonomous provinces¹ and, for that matter, the state itself—that is to say the federation and the republics—including the Yugoslav National Bank (YNB) are in a position to provide.

Other socialist countries of eastern and southeastern Europe have familiarized us with the one-tier banking system consisting of a national bank (NB) and its branches and/or subordinate specialized banks. In Yugoslavia, however, commercial banks have been in existence since the early sixties.² By 1963/64, these commercial banks had increased both their business volume and share of capital investments appreciably. In 1962, they had accounted for just 2.9 percent of all capital investments in the social sector of the economy; by 1965, their share had risen to 36.6 percent. But until the end of the sixties, the influence of the regional governments³ and the YNB continued to be a determining factor. From 1970 until today, an interrupted rapid growth in the business activity of the commercial banks (CB) may be noted.

Before we turn to the role played by the commercial banks and their liquidity, let us examine some of the characteristic features, reasons and consequences (problems) of this growth pattern and include references to some statistical material. In fact, Yugoslavia is the only communist country in East and Southeast Europe which regularly publishes banking statistics.

Growth and Structure of Commercial Banks

Between 1971 and 1980, CB balance sheet totals grew an average of 29 percent each year. This amounts to an annual growth rate in real terms of about 10 percent.⁴ The number of bank employees grew at almost the same annual rate. As shown in Table 3, their salaries are distinctly above average—namely 11,800 dinars as against the average of 9,800 dinars. The most important reason for this growth pattern was the significant role played by bank credits. Short-term credits to customers rose by 24.5 percent between 1971 and 1980. Long-term credits—of which there were more than 2½ times as many as short-term credits in 1980—rose by 21.5 percent annually. Their share in industry capital investments rose from the abovementioned 36.6 percent in 1965 to 46.6 percent in 1978 and the share of bank interests on deposits climbed from 21.8 percent to 53.5 percent during the same period.⁵ This trend has benefited from the frequently very high investment rate in terms of gross investments in the GNP—the growth rate between 1976 and 1980 amounting to 39.6 percent. As part of the "stabilization program" it is therefore being scaled down at this time in order to permit the economy to reduce the growth rate of its debts resulting from domestic and foreign loans. With regard to active trade, the growth pattern of the commercial banks was also based on the expansion in foreign trade and with regard to passive trade on the rapid rise in mass income and savings in the years following 1965. Dinar savings of the population increased from 3.5 billion in 1965 to 16.8 billion in 1970; then to 162.8 billion in 1980 and from that point to 268.2 billion in May 1983. Foreign exchange deposits converted into dinars grew at an even faster rate.⁶ At least in part, however, the growth rates differed due to the differences in economic development in the various republics. Serbia has two major banks; the other republics and autonomous provinces—with the exception of Croatia—have only one (see Table 1). The network of banks is relatively dense in Serbia, Croatia, Slovenia and Vojvodina because of the higher level of their economic development (see Table 2).⁷ The importance of the banking system can be gauged from the structure of revenues and/or expenditures of the individual republics (see Table 3). As a rule, higher expenses per employee and lower per capita savings deposits are characteristic of the lesser developed republics. Croatia and Macedonia, which both have relatively high savings deposits, are an exception, however.

Summing up, we might say that the CB's have experienced the fastest growth rate of all commercial sectors since the early seventies. But this has resulted not only in undiminished and continuing regional differences in economic development and (temporary) structural problems but also in an overly large expansion of credit (for instance during boom periods such as 1977/78); in growing domestic and foreign debt, a deterioration of bank liquidity and an unfavorable terms of payment situation. What is the extent to which the institutional character of the CB system brings on such weaknesses? Can these weaknesses be overcome with the help of national bank policies or government intervention?

Structure and Practices of Commercial Banking System

Among other things, there were ideological reasons—such as the influence of the regional governments ("statism" and "government capital") and the decision-making power of the commercial banks independent of industry ("alienation")—which resulted in changes both in the structure and the decision-making apparatus of the CB's to the advantage of industry ("unified work") as part of the constitutional reform of 1974—the more so since the large-scale credits to industry were bringing about changes in income distribution to the advantage of the CB's. The fact was and still is that long-term industrial capitalization must be based on bank credits in view of the fact that the capital market has scarcely developed due to the limitations of the system, high inflation and distorted interest rates.

The 1976 banking law introduced a type of cooperative bank, the "finance associations of united work,"⁸ for the primary purpose of servicing the business sector. The by-laws formally exclude the regional governments from establishing and directing the basic banks and all (founding) members enjoy the same voting privileges. Paragraph 127 [of the banking law] states that "all members shall enjoy equal rights...in the direction of basic banks" irrespective of their holdings or deposits. As Table 4 indicates, the basic banks are universal banking institutions whereas the internal banks are restricted in their activities to the needs of their members to a large extent—in the manner of a private bank. Mergers of basic banks result in united banks and consortiums. As Tables 1 and 2 show, other institutions—aside from the government postal savings bank—play a relatively minor role. This is not the place to deal with detailed descriptions of the institutional structure and the importance of ideological goals.⁹ We might mention briefly that the CB's are organized according to a 3-tier system and that both their monetary and credit goals and services are analogous to those of banks in the industrial countries of Western Europe.

Now what are the practices followed by the CB's with regard to liquidity, terms of payment, indebtedness and liability (distribution of business risks)? What general rules are applied? What is the extent to which the National Bank influences the CBs' practices?

Liquidity and Liability of Commercial Banks

The self-administration agreement governing the fusion ("establishment") of a CB and the statutes based upon it leaves a lot of room for interpretation—for instance as regards the number of members or the founding capital.¹⁰ For this reason, great importance is attached to the certification necessary for entry in the business register which is issued by the regional government on the basis of the territorial principle. These documents will also contain the guidelines for the annual plans (business programs) and the medium-term development plans. Liquidity guarantees and

the upper limits of domestic and foreign indebtedness are also laid down in these documents and in additional guidelines.¹¹ And finally, the bank's policy is also determined by the delegate principle which limits terms of office to 2 years in addition to granting equal powers to all members. In addition to distributing "joint (bank) income" and interest (on deposits), the members are empowered to agree on other benefits. All in all, the banking law specifies /what/ is to be settled internally but scarcely /how/ this is to be done in a uniform manner and what criteria are to be followed.

The consequences of this cooperative-type structure for the policies above all of the basic banks are likely to be the following:

(a) Members—and business enterprises in particular—are able to receive credits two to three times higher than their relatively small deposits and/or contributions.¹² In most cases, interest on loans is negative and part of the bank's net income is made available to local members or in other words to the business sector as their contribution.

(b) Thus, in the bank's dealings with its own members in particular both the interest rates and other business criteria are of no consequence. The loan capability of the CB's is distributed primarily on the basis of the uses to which the loans are put—a trend which receives additional impetus both from the informal influence exercised by the regional governments and the development plans drawn up by the republics and/or the federation itself.

(c) In view of the mostly negative real interest on loans granted and on bank deposits the supply of long-term capital continues to be meager and at the same time there is a continuing excessive demand for bank loans. For this reason, the CB's must ration loans according to end use and are sorely tempted to turn short-term liabilities into long-term assets (deferred payment) insofar as this is not prohibited by law.¹³

Thus far, there are no overall legal guidelines which apply to business enterprises and banks in cases of illiquidity or to restoring them to financial health or dealing with bankruptcy. The following is a brief explanation of the rules pertaining to basic banks in cases of illiquidity resulting from dinar and/or domestic indebtedness.

Liabilities must be met from funds in therevolving accounts. If these assets are insufficient, paragraph 149 [of the banking law] specifies the use of reserve funds and subsequently of the minimum and other reserves held by the National Bank. The reserve fund, which must uniformly contain three percent of CB risk investments, serves the purpose of maintaining liquidity at all times.¹⁴ A security fund based on accounts receivable during the preceding year serves the purpose of covering unpaid outstanding debts insofar as these cannot be written off. If no assets can be

produced by regular means, the bank is declared illiquid. If liquidity is not restored within 30 days,¹⁵ the National Bank as well as the appropriate communal and republic authorities must be notified and a rehabilitation program must be instituted. These authorities may institute the following four measures among others:

- (a) ask the members to increase the reserve and security fund;
- (b) give priority to meeting the claims of non-members;
- (c) provide for financial contributions by the communities and
- (d) also by the republic, based on the territorial principle.

If the participating regional institutions cannot agree on a procedure, the members themselves are liable in proportion to the funds deposited—in the following order:

- (a) reserve fund;
- (b) monetary assets of the working capital;
- (c) all other components making up the joint assets.

The claims of non-members must be given priority over those of members; the claims of individuals over those of legal entities and the savings and foreign exchange holdings of individuals over all other claims. These provisions are contained in paragraphs 155, 158, 159 and 160 [of the banking law].

Summing up, one may say that illiquidity and commercial risk (losses) are not simply "socialized" or assumed by /the/ "government" but are dealt with according to a multi-tiered system. Responsibility is initially assumed by the individual institution (basic bank). Then, the members and/or associated organizations enter into the picture¹⁶ and after that, if need be, the communities and finally, the regional authorities—where the type of "government assistance" extended (tax abatements, rehabilitation loans, guarantees and so on) are matters to be negotiated.

In principle, the same sequence is followed in meeting foreign exchange liabilities.¹⁷ But there is only a limited number of CB's licensed to take up credit in foreign countries and to deal in foreign currencies (the so-called "licensed" banks). These include above all the eight united banks which must maintain a part of their reserve capital in foreign currencies. On a number of occasions, the banks were instructed to provide temporary cash deposits—with the actual amounts varying according to the type of loan and the type of imported goods. These and other foreign currency and debt policy measures are designed to slow

down the trend toward scarcely controlled foreign debts—which both industry and the CB's were still able to incur up to early 1982—through better record keeping and registration; to give support to certain priority areas and provide security to the banking institutions at the same time.¹⁸ Foreign currency reserve policy is the responsibility of the National Bank generally speaking. In conclusion, we shall now deal with the relationship between the National Bank and the commercial banks with regard to guaranteeing liquidity; regulating terms of payment and liability.

Responsibilities of the National Bank

As the liquidity coefficient shown in Table 5 indicates (primary) bank liquidity in dinars has markedly fallen off between 1975 and 1981. Aside from some underdeveloped republics (Kosovo, the United Bank of Pristina), this figure has been consistently poor in the case of the Croatian banks (it was 0.9 in 1981) which may in this republic be particularly due to the foreign exchange outflow resulting from import-intensive investments and the needs of the petroleum refining industry.¹⁹ Banks such as the "privredna banka" and the "zagrebacka banka"—which are both basic banks located in Zagreb—have run into additional liquidity problems as a result of the overall restrictive NB policies in force since 1980. In such a situation, the use of money substitutes and commercial credits—or in other words the rate of money circulation—by business tends to increase by leaps and bounds while the basic banks tend to keep funds within the payments system for more extended periods. The National Bank, for its part, has repeatedly taken steps to limit bank loans. In 1981/82, the NB introduced special regulations aimed at keeping the basic banks from turning short-term deposits into long-term loans.²⁰ Another important job for the NB is to assure secondary liquidity of the basic banks—which includes funds from the reserve fund, liquidity loans and part of minimum reserves they may draw upon in case of illiquidity. The minimum reserves—the interest rates of which in early December 1982 stood at 12.7 percent for sight deposits and 2 percent for term deposits—²¹ made up for more than half of the bank deposits in the National Bank by 1982 (see Table 5) and these in turn, for 6.8 percent of the total dinar deposits in the basic banks. In 1980/81, they grew particularly strongly and were used for selected purposes such as export promotion, the sale of agricultural products and for capital goods. Larger-size liquidity loans were extended only until early 1980, however.

Although it is possible to improve domestic (bank) liquidity through the overall monetary and credit policies; through the money market among the banks themselves and through the tightening up of payment and reserve rules, there is far less room for improvement in the foreign exchange liquidity sector. Since the foreign exchange market has stopped functioning, the National Bank must make some of its own foreign exchange holdings available to any basic bank which has run out—the more so since any

additional reserves the basic bank may have are in dinars. In other words, if a case of (foreign exchange) illiquidity occurs, the National Bank must first make the required foreign currency amounts available before the members or the participating regional institutions start to lend a helping hand based on the order spelled out above.²² In 1979, the high level of foreign indebtedness even led to a drop in the gold and foreign currency reserves of the basic banks (as shown in Table 6). The corresponding reserves held by the National Bank even dropped from 40.6 billion in 1978 to 20.4 billion in 1979. By the end of 1981, they had once again increased to 61.4 billion, dropping to 33.5 billion in June 1982 and rising to 56.1 billion dinars by November 1982. The major part of the foreign debt consists of long-term obligations. The National Bank's obligations at the end of 1981 and again in November 1982 are shown in Table 7.

Given a net foreign debt in convertible currencies of at least \$18.2 billion (which is equal to about one-third of Yugoslavia's GNP), the credit package worked out in January 1983 and agreed upon in early July by the World Bank, the IMF and the 15 OECD countries will help prevent a fiscal catastrophe. Above all, the broad-based loans to be provided by a Western banking consortium may help improve the debt structure and to raise foreign exchange reserves.²³

On the one hand, the National Bank is responsible for building up fixed foreign exchange reserves which are to provide for minimum liquidity. On the other hand, the Bank builds up current reserves to cover liquidity within the context of projected quarterly and annual payment and foreign exchange balances for the current year.²⁴ The National Bank vouches with its fixed foreign currency reserves and the "licensed" basic banks do so with their own foreign currency reserves. This liquidity thus constitutes the real bottleneck and the ultimate purpose of the steps taken by the government and the National Bank is to curtail further foreign exchange outflow—including that from private accounts; to give priority to using foreign exchange for repayment of hard currency debts and to concentrate part of available foreign currency income in the National Bank. The latter two goals were addressed by a piece of legislation adopted in May 1982.²⁵ The law stipulates that all foreign obligations must be made known. Only after all obligations have been met may persons subject to public law make any other foreign currency payments and enter into new obligations. In addition to shortening the terms of payment, the law requires the banks "licensed" to conduct foreign currency business to turn over any convertible foreign currency (purchases) to the National Bank. The Bank then sells the foreign currency to business firms and persons subject to public law in the republics who can show a planned deficit in their payment and foreign exchange balances. They in turn must use these funds on a priority basis to meet their foreign currency obligations. To curb foreign exchange outflow, large-scale import restrictions were introduced; also, since mid-October, a deposit is required prior to travel abroad. Moreover, there are certain restrictions on withdrawals from

private hard currency accounts and a variety of measures designed to effect savings in energy imports (such as the introduction of gasoline ration coupons and noticeable cuts in the use of electric power).

This law which remained in force only throughout 1982 is a reflection of the aim of the central government to prevent the insolvency of a number of basic banks and other organizations and to assign priority to the repayment of mature foreign currency liabilities.²⁷ The revision of the law governing foreign currency trade and credit relations with foreign countries laid down the foreign exchange amounts as of 1983 which the business firms may retain from their export transactions and the amounts they must turn over to the republics and the central government. These regulations as well as "uniform criteria governing foreign debts and the extension of credits to foreign countries in 1983" supersede the current legislation.²⁸ Under the new law, the "licensed" banks have been given the role of coordinating foreign debts. Similar to the old law, new debts are contingent upon compliance with certain priorities and requirements.

In early July, three legislative proposals and two decrees were adopted by parliament in connection with the new package of Western bank loans. The position of the National Bank on the domestic front vis-a-vis the different interest groups was thus strengthened appreciably as a result of outside pressure.³⁰ At the request of the foreign creditor banks, the National Bank of Yugoslavia must now assume the guarantees for the foreign loans in the name of the Yugoslav federal government and, in the second instance, in the name of the constituent republics. The position of the National Bank has been strengthened insofar as

- it has assumed the role of a distributor of the direct loans extended to it;
- the "licensed" banks and/or the national banks of the constituent republics are required to report to it on maturing debts of basic banks or economic organizations;
- it is in a position to institute sanctions against the (licensed) banks and other persons subject to public law in the case of default— such as by revoking their permit to trade in foreign currencies and/or by forcing them to make payment;
- it employs controllers who keep an eye on the transactions of the "licensed" banks with foreign countries;
- it is required to build up a hard currency reserve to be fed from foreign exchange income by persons subject to public law.

In contrast to the previous, somewhat vague, regulations governing foreign exchange illiquidity, the new law spells out the following order of hard currency debtor liability for payable foreign debts:

- (a) the enterprise concerned (basis organization; labor organization, complex organization of united work, etc) which is liable for repaying the loan;
- (b) the basic bank of which the enterprise concerned is a member;
- (c) all the banks in the constituent republic or autonomous province according to the territorial principle;
- (d) the National Bank, using funds from the abovementioned reserves and ultimately from its own hard currency reserves.

This lays down a clear and sequential system to be followed in repaying foreign hard currency obligations which has the ("licensed") basic banks meeting these obligations in the first instance—and the National Bank in the second instance. This is in contrast to the system followed in meeting dinar obligations. The National Bank and the federal government respectively are given the job of guaranteeing hard currency liquidity and obtain far-reaching control rights over the "licensed" banks. In this regard, practically all these regulations are completely different from those applying to dinar liquidity. The parliamentary debates in early July made it clear that the outside pressure applied by international creditors made it easier for both the central government and the National Bank to push through the necessary uniform, binding measures in their domestic disputes with separate interest groups—so as to preserve the country's standing vis-a-vis its creditors and to achieve a more efficient distribution of available means in foreign trade.

Table 1: Ranking of United Banks and Basic Banks

(1)	Rang 1981	Bezeichnung und Ort (2)	(3)	Konsolid. Bilanzsumme in Tsd. Dinar*, 1981
(4)	A	Vereinigte Banken^a		
	1.	Udružena beogradska banka, Beograd		520615559
	2.	Ljubljanska banka, Združena banka Ljubljana		402863188
	3.	Jugobanka Udružena banka, Beograd		344510489
	4.	Privredna banka Udružena banka, Sarajevo		288386160
	5.	Vojvodanska banka Udružena banka, Novi Sad		235440452
	6.	Stopsanska banka Združena banka, Skopje		169491513
	7.	Udružena kosovska banka, Priština		166175013
	8.	Investiciona banka Udružena banka, Titograd		111917025
(5)	B	Grundbanken^c		
	1.	Privredna banka, Zagreb		251646164
	2.	Osnovna privredno-Investiciona banka, Beograd		216837387
	3.	Zagrebačka banka, Zagreb		169691816
	4.	Beobanka-Beogradska osnovna banka, Beograd		165086743
	5.	Ljubljanska banka Gospodarska banka, Ljubljana		89480520
	6.	Privredna banka Sarajevo Osnovna banka, Sarajevo		63952280
	7.	Osnovna banka Jugobanka, Beograd		60203499
	8.	Riječka banka Osnovna banka, Rijeka		55257997
(6)		^a Die Rangliste der Banken wird in der Vereinigung der Banken Jugoslawiens aufgrund der konsolidierten Bilanzsumme (ohne Angaben außerhalb der Bilanz) ermittelt.		
(7)		^b Udružena bzw. Združena banka		
(8)		^c Osnovna banka		
(9)		Quellen: nach den Abschlußrechnungen der Geschäftsbanken für 1981, in: Jugoslovensko Bankarstvo, 12 (1982), 7-8, S. 84f		

Key:

1. Ranking in 1981
2. Name and location of bank
3. 1981 consolidated balance sheet value in thousands of dinars
4. United banks
5. Basic banks
6. The bank rankings are determined by the Association of Yugoslav banks on the basis of their consolidated balance sheet value (and include nothing but balance sheet data)
7. Udružena and/or Združena banka
8. Osnovna banka
9. Source: JUGOSLOVENSKE BANKARTSTVO, No 12, 1982, 7-8, p. 84f based on 1981 final balances of commercial banks.

Table 2: The Banking Network by Republics (Absolute Totals) 1961

Gebiet (1)	(2) Anzahl der						Vertretungen in Jugoslawien
	Vereinigte Banken	Grund- banken	Geschäfts- einheiten	Außen- stellen	Agen- turen	ext. Schalter	
(10) Jugo- slawien	(3) 8	(4) 165	(5) 278	(6) 736	(7) 520	(8) 371	(9) 5
BuH	1	21	72	81	108	41	-
MON	1	14	7	12	4	1	-
KRO	-	30	63	162	164	71	1
MAZ	1	28	5	53	-	14	-
SLO	1	16	45	98	95	1	-
SER	2	33	62	214	63	141	4
KOS	1	7	2	22	9	3	-
VOJ	1	16	22	94	77	99	-

(11) Quelle: Abschlußrechnungen ..., a. a. O., S. 100.

Key:

1. Region
2. Number of
3. United banks
4. Basic banks
5. Business units
6. Branches
7. Agencies
8. Drive-in windows
9. Representations in Yugoslavia
10. Total for all Yugoslavia
11. Source: JUGOSLOVENSKO BANKARSTVO, op. cit., p 100

Table 3: Some Bank Indicators by Regions for 1981

Gebiet (1)	Struktur der Einnahmen (2)	Struktur der Ausgaben (3) ⁽¹⁾ (= A)	Beschäftigten- stand ⁽²⁾ (= B) (4)	A/B (5)	Monats- lohn ⁽³⁾ (6)	Spareinlagen pro Kopf ⁽⁴⁾ (7)
Jugoslawien	100	100	57,5	2,39	11,8	21,8
BuH	11,92	12,51	7,5	2,30	10,3	15,1
MON	3,75	3,75	1,2	4,15	11,1	12,4
KRO	23,83	24,41	14,8	2,26	12,4	33,3
MAZ	7,25	7,51	3,1	3,29	11,3	23,1
SLO	12,25	12,40	8,6	1,97	12,9	33,8
SER	28,72	27,55	16,3	2,33	11,3	20,6
KOS	3,83	3,96	1,1	4,96	11,7	5,4
VOJ	8,45	7,91	4,9	2,22	11,9	16,2

(8) * Jahresdurchschnitt, absol. Betrag in Tsd.

(9) * Durchschnittliches persönliches Nettoeinkommen der Bankbeschäftigten in Tsd. Dinar

(10) * Stand der gesamten Spareinlagen Ende 1981/Einwohnerzahl der Republik in Tsd. Dinar

(11) Quelle: berechnet nach Abschlußrechnungen der Geschäftsbanken für 1981, a. a. O., S. 90-92.

Key:

1. Region
2. Income structure
3. Outlay structure=A
4. Number of employees=B
5. A/B
6. Monthly salary
7. Per capita savings deposits
8. Annual average: absolute amounts in thousands of dinars
9. Average net personal income of banking employees in thousands of dinars
10. Republic-wide total per capita savings deposits at end of 1981 in thousands of dinars
11. Source: JUGOSLOVENSKO BANKARSTVO, op. cit., pp 90-92

Table 4: Legal Status of Yugoslav Commercial Banks.

Legal Status	Responsibilities	Establishment	Regulation
A. Internal bank (independent legal entity with own account)	Guaranteeing member liquidity; clearing, transfers; ongoing financial planning; financial duties like business firms, other corporate entities ^a (as per paragraphs 11-12)	All social sector business firms and corporate entities. Issuance of loans and receipt of savings deposits are member-related. No social bookkeeping service deposits ^b of corporate entities; no loans to latter.	Like business firms: reserve funds; no credit creation based on social bookkeeping service deposits ^b are permissible. No MR ^c requirement.
B. Basic bank (independent legal entity)	All transactions which cannot be performed by internal bank due to magnitude, running time and characteristic activity; all-purpose bank. Utilization of credit potential on basis of bank policy (loan committee and/or membership), development plans (of regional authorities); also determined by National Bank loan guidelines ^d .	As under A; but regional authorities not immediately involved in management and cannot become members, but can exert indirect influence on banking policy by way of economic planning and agreements (as per paragraphs 11 and 128)	Creation of assets and loans on basis of social bookkeeping service deposits; reserve fund; special liquidity reserve (as per paragraph 147); security fund (as per paragraph 125ff); MR ^c and liquidity policy. Various regulations on issuance of credits; giving guarantees and terms of payment.

C. United bank (independent legal entity)	All transactions which cannot be performed by basic banks due to magni- tude, etc. Develop- ment planning (large- scale projects); for- eign transactions; liquidity (by combin- ing assets and re- serves.	As under B; members are basic banks. Unlimited sub- sidiary liabi- lity by members (as per para- graph 197)	As under B; investment loans granted only on basis of longer- term social bookkeeping service depo- sits ^b . Main- tenance of foreign ex- change re- serve fund required.
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D. Additional types: banking consortiums (which are not independent legal entities); self-administration funds (for special purposes); savings associations (most of which are not independent financial organizations); postal savings associations; savings and loan cooperatives and other (special-purpose) financial organizations.

- (a) Legal persons subject to public law.
- (b) As opposed to deposits the basic banks have paid into the social bookkeeping service.
- (c) Minimum reserve.
- (d) Under the terms of National Bank credit policies, the commercial banks conclude agreements on "selective" credit policy, credit conditions and the like.

Source: The Law on the Foundations of the Credit and Banking System, in: The Yugoslav Monetary and Banking System, p 65ff. Paragraphs cited in table refer to above law.

Table 5: Crediting and liquidity of Commercial Banks. Credits and Deposits in Billions of Dinars

Jahr (1)	(2) NBJ-Kredite an Banken ⁽³⁾			Bankdepositen bei der NBJ ⁽⁴⁾		Liquiditäts- koeffizient der Banken ⁽⁵⁾
	Rediskont (4)	andere ⁽⁶⁾ (5)	Gesamt (6)	Gesamt (7)	davon: Mindestreserven (8)	
1970	17,6	6,7	24,3	13,0	8,7	1,6
1971	8,4	20,6	29,0	15,7	10,5	1,6
1972	12,5	23,5	36,0	25,2	14,4	2,2
1973	9,8	31,8	41,6	32,7	21,9	2,4
1974	14,1	5,3	19,4	30,1	22,3	1,9
1975	22,4	9,2	31,6	36,8	26,5	1,8
1976	31,2	16,7	47,9	67,6	40,3	6,0
1977	32,3	23,8	56,1	79,0	52,6	4,7
1978	40,6	115,4	156,0	87,2	60,8	3,3
1979	53,5	150,8	204,3	81,3	51,3	1,7
1980	88,4	177,1	265,5	84,2	51,2	1,8
1981	151,7	228,4	380,1	110,8	61,8	1,6
1982 Nov.	192,5	301,0	493,5	103,6	72,7	2,7
1982 [*]	195,0	303,3	498,3	143,1	70,3	2,5

(9) * Die Abnahme dieser Kredite seit 1974 geht auf die „Übertragung von Mitteln zur ständigen Verwendung“ an Unternehmen und Gebietskörperschaften zurück. Rediskont: für selektive Zwecke

(10) * Umfassen neben Mindestreserven die Reservefonds der Banken, Sichteinlagen bei der NBJ und andere Depositen (ohne Liquiditätspapiere)

(11) * Relation Sichteinlagen bei der NBJ zu kurzfristigen Depositen der Geschäftsbanken

(12) * Umfassen Bankkredite gegen Vorlage von Wertpapieren, für „besondere Zwecke“ und Liquiditätskredite sowie Kredite an andere Finanzorganisationen

(13) * Geschätzt nach Daten bis zum I. Halbj. 1982.

(14) Quelle: NBJ Quart. Bulletin 5, 1977, 4, Tab. 10, 10a, 18, 6, 1978, 4 und 10, 1982, 4.

Key:

1. Year
2. National Bank credits to banks
3. Bank deposits with National Bank
4. Rediscount
5. Other
6. Total
7. Minimum reserve (as part of total)
8. Liquidity coefficient of banks
9. Approval of these loans based since 1974 on "transfer of funds for permanent use" to business firms and regional bodies. Rediscount: for special purposes.
10. In addition to minimum reserves, these figures include bank reserve funds; sight deposits with National Bank and other deposits (excluding liquidity securities).

11. Ratio of National Bank sight deposits to short-term commercial bank deposits.
12. These figures include bank loans against presentation of securities, for "special purposes" and liquidity loans as well as loans to other financial institutions.
13. Estimate based on data up to second quarter of 1982.
14. Source: National Bank of Yugoslavia, Bulletin 5, 1977, 4. Tables 10, 10a, 16; No 6, 1978 Table 4 and No 10 1982 Table 4.

Table 6: Status of Accounts Receivable and Obligations of Commercial Banks^a in Foreign Exchange Based on Bank Balance Sheets.

- A: Aktiva (1)
 - P: Passiva
 - in Mrd Dinar (2)

(3) Position		(4) Kurzfristige			(5) Langfristige		
(6) Jahr	Gold u. Devisen (A) (7)	Verbindlichkeiten (P-A) gegen (8)		Forderungen (A-P) gegen (9)	Verbindlichkeiten (P-A) gegen (10)		Forderungen (A-P) gegen (11)
		das Ausland (2)	In- l�nder (3)	inl�nd. Banken* (4)	das Ausland (5)	In- l�nder (6)	inl�nd. Banken* (7)
	1	(10)	(11)	(12)	(10)	(11)	(12)
1970	1,1	2,9	4,0	-0,3	2,4	0,8	-0,3
71	1,8	4,8	8,8	0,1	5,0	0,7	-0,3
72	2,5	3,1	12,6	0,3	7,8	-1,4	-0,2
73	3,6	1,4	18,4	1,5	10,1	-3,4	0,5
74	6,6	3,9	23,4	1,4	12,6	-4,1	-0,5
1975	5,4	0,5	30,6	1,4	15,9	-6,3	-0,2
76	10,6	1,8	43,0	0,3	22,4	-7,8	0
77	10,9	4,3	57,2	0,8	35,9	-6,3	2,2
78	16,1	7,4	96,2	98,3	61,7	0	2,1
79	13,6	16,5	117,9	134,8	90,6	4,8	6,3
1980	39,4	60,1	188,6	214,0	167,7	34,3	14,3
81	71,7	105,5	286,9	287,9	250,8	13,1	77,8
82 Juni	73,5	93,8	316,1	320,8	277,9	33,0	78,6
82 Nov.	81,1	104,4	371,5	415,6	358,0	64,4	83,5

(13) * Gesch ftsbanken, Grund- und Vereinigte Banken. Einschlie lich der Postsparkasse und der Einlagen der Gebietskorperschaften bei den NB der Republiken und Autonomen Provinzen.

(14) * Forderungen in Devisen aus dem Interbankenverkehr

(15) Quelle: NBI (Hrsg.), Bilteni, versch. Jg.

Key:

1. Assets and Liabilities
2. In Billions of dinars
3. Status
4. Short-term
5. Long-term
6. Year
7. Gold and foreign currencies
8. Obligations toward
9. Accounts receivable from
10. Foreign countries
11. Yugoslav nationals
12. Domestic banks
13. Commercial banks: basic and united banks. Includes postal savings administration, deposits by regional administrations with national banks of republics and autonomous provinces.

14. Foreign currency accounts receivable from interbank transfer system.
15. Source: National Bank of Yugoslavia, Bulletins, various years.

Table 7: Comparison of Obligations—Basic Banks/National Bank

	1	2	3	4	5	6	7	
(1) GB	71.7	105.5	286.9	287.9	250.8	13.1	77.8	1981
(9) NB	61.4	21.1	10.3	-	78.4	-	12.7	(gegen interna- tionale Finanz- (10) organisationen)
GB	81.1	104.4	371.5	415.6	358.0	64.4	83.5	1982
NB	56.1	-13.2	19.3	-	145.2	-	21.8	

Key:

1. Gold and foreign currencies
2. Obligations toward foreign countries (short-term)
3. Obligations toward Yugoslav nationals (short-term)
4. Accounts receivable from domestic banks (short-term)
5. Obligations toward foreign countries (long-term)
6. Accounts receivable from Yugoslav nationals (long-term)
7. Accounts receivable from domestic banks (long-term)
8. Basic banks
9. National Bank
10. Obligations toward international financial institutions

FOOTNOTES

1. The national banks of the individual republics are independent banks which administer the assets of the republics and play a major role in development and foreign exchange policy; in other words, they are not mere branches.
2. Strictly speaking, since 1954 when communal banks and savings associations were first established.
3. This refers in particular to the individual communities and the republics. On "state capital" and the growing independence of the basic banks vis-à-vis industry, cf. H. C. Iverson, "Indebtedness, Illiquidity and the Banking System as Part of the Self-Administration Economy of Yugoslavia," in: J. Backhaus, T. Eger and H.G. Nutzinger (eds), "Participation in Industry and Society," Frankfurt, New York 1978, p 179ff.

4. This figure is based on wholesale prices (19 percent).
5. This growth includes payments into the business fund as well as interest paid. Starting in 1978, however, the interest figure has been declining steadily.
6. The 1971-80 growth rate for dinar savings deposits was 25.5 percent; for foreign currency deposits, it was 34.3 percent. As a result of the dinar devaluation, foreign currency deposits (in dinars) have been exceeding dinar deposits by 143 percent (late 1981) and 229 percent (May 1983).
7. This applies in particular to the expansion of business units of the branches and agencies. The reference to Serbia proper means Serbia including the autonomous provinces.
8. Cf "Law on the Foundations of the Credit and Banking System" (or simply "Banking Law"), in "The Yugoslav Monetary and Banking System" Belgrade 1980. The banking law was published in Sluzbeni list 2/1977. The articles cited refer to that law.
9. Cf "The Yugoslav Monetary..." op. cit., p 80ff and D. Dimitrevic, M. Galijanin, et al. (eds), "Financial Institutions in Yugoslavia," Belgrade 1977.
10. As opposed to previous regulations, no minimum number of founding members and no minimum original contribution are required.
11. Questions of liquidity are to be settled in the association agreement (as per paragraph 118 of the banking law) whereas the debt limits are to be set by the members' assembly as part of the business programs or medium-term development plans of the basic banks (as per paragraph 134).
12. In 1979, there were almost 3 dinars in loans for every dinar deposited. Cf P. Bozovic, "Privredna kretanja 1976-1980 godine," in FINANSIJE 1981 No 5-6, p 241ff.
13. The annual increase in industrial producer prices between 1978 and 1982 amounted to roughly 24 percent. Until now, the maximum allowable interest rate stood at 12 percent; but the real interest rate was usually higher!
14. A special liquidity reserve must be maintained to cover guarantees and obligations of surety of the basic banks.

15. Recourse to reserves of any kind must now be reported to the National Bank. At this time, a debate is taking place on sharpening this definition of liquidity.
16. "Socialization" of debts does, however, take place at an intermediate level among the participating institutions.
17. Some regulations dealing with this matter are also contained in the "Foreign Exchange Law" (Law on Foreign Currency Transactions and Credit Relations with Foreign Countries) in Sluzbeni list 15/1977.
18. The debt limits by republics are determined on the basis of the preceding year's balance of payments projections agreed upon between the federation and the republics.
19. L. Jurkovic, "Kretanje likvidnosti" in EKONOMSKI PREGLED 33, 1982, No 3-4, p 155ff.
20. Sluzbeni list, No 25, 51/1981 and 57/1982.
21. Cf EKONOMSKA POLITIKA, 6 Dec 82, p 29.
22. The republic concerned may be required, however, to make foreign currency amounts available from its foreign exchange balance, if it has failed to comply with the projections contained in these balance sheets.
23. When commercial loans and part of the foreign currency savings of the Yugoslav population are included (some \$7.5 billion) the debt figure turns out to be much higher. Cf FRANKFURTER ALLGEMEINE, 3 Jan 83; 12 Jan 83, p 9; HANDELSBLATT, 4 Jan 83, p 6; 18 Oct 82, p 10. On prior indebtedness, cf J. Reuter-Hendrichs, "Southeastern European Governments Debts to the West," SUEDEOSTEUROPA 31/1982. On proposed credit assistance: FRANKFURTER ALLGEMEINE, 21 Jan 83, 7 Jul 83; HANDELSBLATT, 16 Jun 83; P.L. Altmann and W. Schrettl, "Yugoslavia: On the Process of Economic Stabilization," SUEDEOSTEUROPA 32/1983 No 5, p 286.
24. Cf Foreign Exchange Law, paragraphs 190-194.
25. Law on the Conditions and Uses of Convertible Foreign Currencies in Making Payments to Foreign Countries and on Foreign Debts in 1982, Sluzbeni list, No 26, 1982.

26. Some party officials have proposed that the foreign currency savings of the population—which constitute the major type of savings which serve as a hedge against inflation—be used to meet foreign obligations. Cf *NOVA*, 15 May 82, p 7. On this and the various foreign exchange policy measures taken between 12 and 22 Oct 82: J. Reuter, "Yugoslavia's Austerity Program," *SÜDOSTEUROPA* 31/1982 No 11-12.
27. This put an end to the ideas put forward by some party officials—particularly from more or less debt-ridden Croatia—to "re-program" foreign debts, i.e. to effect a large-scale rescheduling of debts as part of a joint action by all developing countries. Cf *HANDELSBLATT*, 14 and 18 Oct 82.
28. The former law was published in the Yugoslav legal gazette at the end of 1982 (*Sluzbeni list* 77/1982). Also cf article by Altmann and Schrettl, op. cit., p 287f. The "criteria" were published in *Sluzbeni list* 30/1983 in June 1983.
29. The reference is to a "Law on Payments in Convertible Foreign Currencies," a "Law on Guarantees by the Federation for Payment of Debts;" to changes and amendments to the abovementioned foreign exchange law of December 1982 as well as the two decisions on all the funds to be borrowed by the National Bank of Yugoslavia and the loan agreement concluded with Western banks. Extensive texts and commentaries in *NOVA*, 4 and 5 Jul 83; *FRANKFURTER ALLGEMEINE*, 7 Jul 83.
30. The suppositions by Altmann and Schrettl have thus been corroborated such manner than was to be expected.

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DATA ON BANKS, INSURANCE ASSOCIATIONS, 1978-1982

Belgrade FINANSIJE in Serbo-Croatian Jul-Aug 83 pp 414-421

[Article by Slobodan Sindolic: "Banks and Insurance Communities in Conformity With Needs or ..."]

[Text] The Federal Bureau of Statistics recently* published the most recent data, to be sure preliminary data, on the number of organizations and communities and on the number of units making up those organizations. It dealt with the types of organizations, forms of association, and activities. We should also point out that this affords a fuller picture on the classification of organizations and communities by type of organization, by activity and by region. All the figures were obtained on the basis of the register of organizational units, which is one of the instruments whereby statistical surveys are to become a statistical system and the statistical system a unified system of public information.

It should also be said for purposes of analyzing the change in the number of organizations and communities and the number of their units in the sectors of banking and finance that their numbers and the conduct of their business are followed on the basis of the Law on Uniform Business Classification, which was adopted back in 1976. However, for purposes of a fuller examination of these developments it is also important to say that by the constituent unit is meant a part of an organization--a community--"which represents a rounded entity for purposes of business or production and in which the activity performed differs as a rule from the activity in which the organization or community is classified on the basis of its predominant line of business." It should also be said that parts of an organization or community which are located in another place than the headquarters of the organization or community "are treated as constituent units even when they do not constitute a rounded business entity and when they pursue the same line of business as the organization or community of which they are a part."

An analysis of the change in the number of banking and various financial organizations and communities, followed in terms of the processes and forms of association, has especial importance if we examine changes over a lengthy period of time. We emphasize this because the figures for certain years are

* SAOPSTENJE, No 96, Federal Bureau of Statistics.

extremely important. This applies above all to the figures for 1978, which was the date by which organizations and communities were required to bring their internal organization into conformity with certain provisions of the Law on Associated Labor. The reference is also to the figures for the period 1980-1982, which make it possible to examine the trend in the organizational transformation of OUR's [organization of associated labor] and other self-managing organizations and communities.

The First Comparisons

If we analyze over a lengthy period of time the status of organizations and communities by type and form of association of the activities and units making them up, we come to the basic conclusion that the number of banks and enterprise communities and other financial organizations has been changing in conformity with the needs of the economy to the highest degree. We should state, however, that the process of organization and transformation has not always taken place at the same rate, especially in certain republics and autonomous provinces. The table below shows the variation in the number of banks and their constituent units over the past few years:

Banks	1978	1979	1980	1981	1982
Internal banks	167	146	151	167	174
Units	212	31	22	22	22
Bank branches	155	220	225	210	209
Units	975	1,338	1,425	1,484	1,462
Associated banks	11	13	12	10	11
Units	33	28	26	30	31

In the banking sector, as one can note from the comparison presented, there have been certain shifts, but the largest changes were recorded in the formation of units making up certain types of banks.

It is characteristic of internal banks over the period 1978-1982 that the variation of their number has been uneven. Although it has frequently been pointed out that internal banks, especially in large work organizations and large production systems, should be one of the optimum and economically justified forms for the conduct of financial business, their number is still inadequate when we think of the number of organizations and large systems in industry, agriculture, trade and other sectors and branches of the economy. Furthermore we neglect on the other hand certain shortcomings of this type of banking business, shortcomings which have usually become evident in the practical conduct of the business of these organizations (duplication of function, large staff size, cumbersome administration, high cost, and so on).

The number of units within internal banks first began to be recorded only in 1978, when there were also the highest number of them--212. Following adoption of the Law on Associated Labor there was a certain reduction in the number of units of internal banks as a consequence of the reorganizations and the new organizational forms of certain internal banks, in conformity with changes in large work organizations and large systems. Shortcomings in the

conduct of their business and in the conduct of business of the work organizations of which they were a part (holdups in production, late deliveries of goods and holdups in mutual payments, illiquidity of certain parts of the collective, and so on) also had an impact here. It is very significant that the number of units making up internal banks has not changed at all over the last 3 years and has stayed at 22 units.

Over the past several years the greatest changes have occurred in the basic banks. So long as the number of basic banks was on the gradual increase, followed by a decrease or stagnation over the past 2 years, the number of units making them up increased by leaps and bounds up until 1981, which was when they were most numerous--1,484 units. Which is why we can say that the formation of this number of units of basic banks was to the greatest degree in line with the policy of more rapid movement of payments, a growth of savings (dinar and foreign exchange) and more optimum conduct of business on their part. The point of departure in making this statement is that in past years there was an increase in the total labor force and then an expansion of cities and creation of new settlements, expansion of the volume of business done by organizations of associated labor and by organizations and communities in noneconomic activities, which also led to the opening of new business units of banks, especially in certain areas.

The number of associated banks was the same last year as in 1978, but up to this point they were most numerous in 1979 (13 banks). Reorganizations in this sector have had an effect on these movements, and that is also characteristic of the number of business units making up these banks. Put most briefly, the smallest organizational changes have occurred over the last 5 years in banks of this type.

Insurance Communities

Over the last several years a steady growth has been recorded in the number of personal and property insurance communities, which cannot be said of the business units making them up, where a certain stagnation has been followed by a slight decrease. The number of other "financial organizations" has had uneven variations, which has also been characteristic of the units making them up:

Activity	1978	1979	1980	1981	1982
Personal and property insurance communities	171	180	173	178	192
Units	358	368	357	366	339
Other financial organizations	94	109	77	112	136
Units	59	40	42	96	61

It is evident that the number of personal and property insurance communities has been gradually increasing, but still not in a marked way. The increased volume of business of these communities because of the numerical increase in property insurance (public property, housing, automobiles, household appliances, and so on) has led to the establishment of new organizations.

especially in the larger cities. The rise of costs, especially expenses for office space and other payments, and then various other burdens (incomes, contributions and the like), is one of the main reasons why the number of business units of personal and property insurance communities has not been increasing somewhat more rapidly. It is not uncommon, just as with certain banking units or banks, for policyholders to have to "travel" to another town to see to their interests arising out of personal or property insurance. One should in part look for the reasons for this kind of movement in the fact that a number of these units have not economically justified their existence because of rather high operating costs. Nor should we neglect the fact that in past years there has been an appreciable rise in the price and cost of insurance, which has had the effect of dampening the interest of individuals in property or personal insurance, especially in certain regions.

The largest number of new "other financial organizations" (institutions, exchange offices, and so on) was recorded last year. Their number has been increasing markedly since 1980. Since we do not have figures on the makeup of this group of organizations, it is difficult at present to say where the greatest changes have occurred. It is significant in this connection that the number of business units of these organizations has been increasing rather unevenly, and we should also mention that the year before last there were the largest number of new ones.

By Line of Business

We arrive at new conclusions when we analyze the change in the number of organizations and communities and the number of their business units by line of business. Aside from other activities (industry, agriculture, transportation, construction, and then housing and municipal services, education and culture, and so on), a steady increase has been recorded in the number of organizations and communities under the line of business referred to as "financial and other services"* and in the number of units within them. This phenomenon was also characteristic of previous years, that is, even before the initial year covered by the analysis, but at a somewhat less intense rate. However, in the years being analyzed--1968-1982--the total number of organizations and communities has been growing much more slowly than the number of business units within them, as can be best seen from the comparison and status of new organizations and communities and of their constituent units in various years:

Indicator	1978	1979	1980	1981	1982
Organizations and communities	2,377	2,484	2,551	2,628	2,672
Units	4,130	4,717	5,086	5,483	5,778

The number of organizations and communities has been increasing year after year, usually by increments ranging from 40 to about 100, while the number of their constituent units has been increasing by leaps and bounds--at a rate of about 300 to 500 units a year. The increase in the number of organizations

* Also extends to other services "in the sector of trade, project planning, business services," and so on, since they are so recorded.

and communities has also been evident in other lines of business, but in the sector "financial and other services," taken as a whole, it has had a somewhat higher growth rate.

The figures on the number of organizations and communities by type and form of association in the sector "financial and other services" also reveal the most frequent and the rarest forms of business operation in this sphere of the social services. What can be said straightaway is the datum that basic organizations of associated labor, which have a share of about 30 percent in the total number of organizations and communities in this line of business, represent the largest number among all the organizations and communities within the line of business referred to as "financial and other services." Second place is taken by work organizations not divided into OOUR's [basic organization of associated labor], and then work organizations with OOUR's, and so on.

The status of organizations and communities in the sector "financial and other services" has been as follows over the past 3 years:

<u>Indicator</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Total	2,551	2,628	2,672
Basic organizations of associated labor	869	896	885
Work organizations not divided into OOUR's	719	733	747
Work organizations with OOUR's	108	114	104
Complex organizations of associated labor	4	5	5
Work communities of organizations of associated labor	203	218	214
Cooperatives in the crafts and trades	2	1	1
Contract organizations of associated labor	1	3	5
Internal banks	151	167	174
Basic banks	225	210	209
Associated banks	12	10	11
Personal and property insurance communities	173	178	192
Other financial organizations	63	86	111
Agencies of the social community	10	--	--
Other organizations and those not classified	10	7	13

Although the total number of organizations and communities in this sector has been increasing, a reduction in the number of OOUR's, very slight to be sure, has been recorded. At the same time the number of organizations and communities with the status of work organizations not divided into OOUR's has been increasing, while the opposite trend has been recorded in the number of work organizations divided into OOUR's. It is interesting to mention that within this activity there are very few organizations or communities which have the status of complex organization of associated labor--only five. It is also significant that in this line of business there are more than 200 work communities of organizations of associated labor, while the number of contract organizations is very small, but does show a slight growth trend. We have already spoken about banks and personal and property insurance communities, and there is no need to speak specifically about other organizations and communities because of their small number.

Regional Distribution

The number of various banks, personal and property insurance communities, and other financial organizations is rather unevenly distributed over the republics and autonomous provinces, but it is highly dependent upon the size and level of development of the various regions. This applies above all to the location of the various types of banks, as can best be seen from the table below covering the last 4 years.

<u>Socialist Republics and Socialist Autonomous Provinces</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Bosnia-Herzegovina				
Internal banks	18	21	22	24
Basic banks	23	13	21	21
Associated banks	1	1	1	1
Montenegro				
Internal banks	20	6	7	8
Basic banks	8	13	14	14
Associated banks	1	1	1	1
Croatia				
Internal banks	27	29	29	30
Basic banks	62	62	61	60
Associated banks	2	2	1	2
Macedonia				
Internal banks	7	7	7	8
Basic banks	27	28	28	28
Associated banks	1	1	1	1
Slovenia				
Internal banks	13	17	22	26
Basic banks	11	16	16	16
Associated banks	1	1	1	1
Serbia				
Internal banks	61	71	80	78
Basic banks	89	85	70	70
Associated banks	7	6	5	5
Serbia proper				
Internal banks	32	38	46	43
Basic banks	52	54	48	46
Associated banks	5	4	3	3
Russia				
Internal banks	7	7	7	5
Basic banks	9	6	6	7
Associated banks	1	1	1	1
Vojvodina				
Internal banks	22	26	27	30
Basic banks	28	25	16	17
Associated banks	1	1	1	1

Each region, as can be seen, displays definite characteristics with respect to the increase or decrease in particular types of banks. It is

characteristic of Bosnia-Hercegovina that the number of internal banks is increasing slightly, while there is stagnation for other banks. In Montenegro there has been almost no change in the number of banks over the recent years analyzed except for internal banks. Croatia is characterized by the almost unchanged status of the number of banks, which can also be said of Macedonia. In Slovenia, however, there is a marked tendency toward an increase in the number of internal banks, while in Serbia a slight decrease is recorded. In other words, all the banks except internal banks have shown very little change, and this is especially true of associated banks.

As for the distribution of the various types of banks within SR [Socialist Republic] Serbia and the various areas within that republic, we should say that the trends are the same or similar with respect to the number of these organizations.

In Serbia proper there is a tendency toward a reduction in almost all types of banks, especially basic banks. In Kosovo there have been no essential changes except for an evident decrease in the number of internal banks, whose number has been gradually increasing in Vojvodina.

If we analyze only last year's status of the number of organizations and communities within the line of business referred to as "financial and other services," it can be said that the greatest number were located in SR Serbia--948, and then in Croatia--694, in Serbia proper--603, in Slovenia--403, in Bosnia-Hercegovina--380, in Vojvodina--285, in Macedonia--156, in Montenegro--91 and in Kosovo 60 organizations and communities.

Growth of the Labor Force

The increase in the number of organizations and communities and in the number of their business units covered by the line of business referred to as "financial and other services" has quite understandably tended to increase the size of the labor force in this sector of the social services. It is characteristic in this connection that the labor force has grown year after year, but that the growth has been most pronounced for banking organizations and personal and property insurance communities.

Within the activity "financial and other services"* the size of the labor force has varied as follows (in thousands):

<u>Lines of Business</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Financial and other services	162.8	184.0	196.7	204.2	209.1
Banking	55.4	64.0	68.4	71.0	71.1
Personal and property insurance	13.3	14.3	15.0	15.6	15.9

When we mention that the banking sector, for example, in 1965 had a labor force of only about 27,700, and 10 years later a labor force of about 39,900, then it follows that this latter figure was almost twice as great last year.

* INDEXES, No 6, Federal Bureau of Statistics.

The same thing can be said of the increase in the size of the labor force in personal and property insurance communities, where the labor force increased from about 7,800 in 1965 to about 11,100 in 1975, and then last year reached almost about 16,000 persons employed in this domain of financial activity.

When we analyze the composition of the labor force in banking and personal and property insurance communities with a reference to specialized training and sex, we arrive at very interesting assessments. The share of women in the total labor force is about 72 percent in banking and about 50 percent in personal and property insurance communities. Viewed as a whole, women have a dominant role in these two sectors of financial activity. Incidentally, as of 1 October last year the total labor force in banking was distributed as follows: 28,377 in SR Serbia, 18,807 in Croatia, 9,962 in Slovenia, 9,185 in Bosnia-Herzegovina, 4,005 in Macedonia and 4,657, the smallest number in Montenegro, and we should mention that the number was 6,628 in the banking business in Vojvodina and 1,435 in Kosovo.

At the beginning of last October the labor force of personal and property insurance communities was distributed so that the largest share was in SR Serbia--5,919 workers, followed by Croatia with 4,076 workers, while Montenegro (777) and Kosovo (112) had the smallest share.

The most recent figures of the Federal Bureau of Statistics for last year on the number of organizations and communities in financial activity and the number of their business units are not yet final and constitute preliminary data. This stands in the way of framing any more complete assessments and conclusions concerning trends in development of banking and other organizations. But do we know the "accompanying data" which would be required for a fuller examination of these trends, especially in the various republics and provinces. Certain tendencies as to the increase or decrease of the various organizations and communities are obvious, but a more complete assessment would require that we have the various elements indicating the main reasons why there has been an increase or decrease in the number of internal banks or basic banks or their communities within a republic or province, these being the organizational units which have shown the greatest change. However, we can still reiterate the basic assessment, which is heavily weighted by the comparative tendency of a steady increase in the number of business units of banks and personal and property insurance communities, which is also in conformity with the policy concerning development of banking and other financial organizations and units.

In this article we have also touched upon certain matters concerning the size of the labor force in banking and personal and property insurance communities. The size of the labor force has been increasing in keeping with the growth of the number of organizations, but this question deserves treatment in its own right, especially with a view to specialized training of persons employed in this activity, that is, with respect to the very high share of personnel with secondary specialized training--more than 50 percent of the total labor force. All of this, assuming that other matters (adequacy of equipment, data processing, professional training, distribution of business units, and so on) are dealt with, could offer a more complete picture concerning the status and capabilities of this activity.

BALANCE-OF-PAYMENTS SITUATION EXAMINED, 1973, 1982

Belgrade FINANSIJE in Serbo-Croatian Jul-Aug 83 pp 358-371

[Article by Ratko Borojevic, MA: "Noncommodity Income and Expenditures as a Factor in the External Disequilibrium"]

[Excerpts] The size and duration of the imbalance in Yugoslavia's economic relations with foreign countries are well known. The causes of this disequilibrium are also well known by and large, and its consequences for the level of economic development in recent years are obvious. It took quite a few years for a realization to begin to mature to the effect that this problem cannot be solved solely by measures in the domain of foreign economic relations, since it is mostly the consequences that are in that domain, and the real causes of the problems to a lesser extent. Failure to perform the tasks envisaged in other sectors of social reproduction has in the period just past been refracted in the sector of foreign economic relations, and the discrepancy between production and consumption with respect to their volume and makeup and the inappropriate relations in distribution, in the absence of appropriate and timely adaptation, have for too long a time been covered by an excess of imports over exports and by growth of the foreign debt.

There has been considerably slower penetration of a realization that the movement of noncommodity income and expenditures has for almost a decade been an important factor in our external disequilibrium. Only commodity trade with foreign countries is usually taken up in examining the sources of this imbalance and when measures are taken to reduce it. Since commodity trade represents only about one-half of the income and expenditures of our current balance of payments, these considerations also go only halfway at best. That is, unless problems are solved in the noncommodity part of the balance, considerably greater efforts will be needed in commodity trade with foreign countries in order to achieve equilibrium in the current balance of payments. In view of Yugoslavia's comparative advantages in the international division of labor, the price of righting the balance of payments through commodity trade is certainly greater than the price at which the same goal can be achieved when noncommodity trade is also called upon for help.

Of course, neglect of foreign commodity trade would be a still greater error than neglecting noncommodity trade. Experience from the recent past shows that the deficit in commodity trade can reach such proportions that a surplus

in noncommodity trade cannot cover it even under the most optimum conditions. However, while full respect is paid to the arguments supporting the assertion that the problem of the deficit in our balance of payments cannot be solved by increasing noncommodity income, it remains that to a large extent unfavorable developments in noncommodity trade with foreign countries was involved in making the problem of the deficit in the balance of payments more acute during the seventies.

The role of noncommodity trade in righting the balance of payments with the convertible area, which is where the greatest problems related to disequilibrium in the balance of payments arise, was especially important here.

According to the scheme used by the National Bank of Yugoslavia (the scheme of the foreign exchange balance) the current balance covers the following: commodities, costs of commerce (transport, middleman services, insurance and reinsurance, miscellaneous), noncommodity transactions (travel, government transactions, remittances of workers and emigres, social welfare benefits), interest, arbitration and reexport.

The National Bank of Yugoslavia presents figures on the balance of payments according to a different scheme in its annual report. In those reports the current balance of payments is divided into only two items--commodity trade and noncommodity transactions.* Within noncommodity transactions income and expenditures on the basis of remittances of workers and emigres, tourism, transportation, interest and miscellaneous are given separately.

These schemes of the balance of payments coincide only with respect to the treatment of commodity trade with foreign countries, while there are considerable differences in the treatment of other types of income and expenditures. Bilateral transfers are in one case shown in the current section and in the other case in the capital section of the balance of payments, while in the third case (the model of the foreign exchange balance of the National Bank of Yugoslavia) a portion of these transfers is included in the current balance (private transfers), and a portion in the capital balance (official transfers). In the one case revenues are being classified under services when in essence they represent a unilateral transfer without a quid pro quo (remittances), while in the other case receipts which represent compensation for services rendered to foreign residents (government transactions) are omitted from receipts from services. Remittances of workers and remittances of emigres are in one case recorded together, and in the other separately. Interest is in one case indicated as a separate category (income from investments), while in the other case it is indicated as income from services, and so on.**

* Until 1977 noncommodity trade was referred to as "services and transfers."

** For more detail on the differences in the various items of the balance of payments between the scheme of the International Monetary Fund and that of the National Bank of Yugoslavia, see the book by Dr. Sava Obradovic, "Problemi platioznog bilansa Jugoslavije" [Problems of Yugoslavia's Balance of Payments], Payment Administration and the Economics Research Institute, Belgrade, 1977, pp. 41-44.

Aside from the question of what is covered by the term "noncommodity income and expenditures," there is also a difference in the quality of the data concerning these receipts and expenditures offered by the official statistics. The figures on exports and imports of goods are based on customs records and by and large represent reliable quantities that allow for international comparison. But since there is great diversity among noncommodity receipts and expenditures, it is difficult to guarantee that kind of supervision, which means that the reliability of data on noncommodity transactions cannot be guaranteed either.

The various types of noncommodity revenues are shown only in the value of foreign exchange brought into the country, which is considerably less than the total value of services rendered to foreign residents (work on capital investment projects abroad). The value of the various services rendered to foreign residents is recorded on the basis of an estimate or is not recorded at all (services rendered to foreign tourists by individuals). The sale of goods and services to foreign individuals for dinars, on which there are not even approximate records, represents a particular problem, and the estimates, which are based on the number of foreign trips made by Yugoslav citizens and the amount of dinar bank notes which can be carried out, show that the dinars which our citizens are carrying out abroad, and which foreign residents thereafter bring into Yugoslavia and spend, represent very sizable amounts.

However, neither the dilemmas over the coverage of the term "noncommodity income and expenditures" nor difficulties in guaranteeing reliable statistical data on these receipts and expenditures can be taken as a justification for not devoting appropriate attention to these receipts and expenditures. An analysis of our country's economic relations with foreign countries is incomplete without an analysis of noncommodity receipts and expenditures, and the solutions offered are nonoptimal.

Taking as our point of departure that delimitations between the current and capital sections of the balance of payments and also the coverage of foreign commodity trade have been by and large accepted, we can use the term "noncommodity income and expenditures" to refer to all receipts and expenditures of the current account in the balance of payments except for exports and imports of goods.

Since there is a difference in economic meaning and a difference in significance for righting the Yugoslav balance of payments, noncommodity receipts and expenditures can be classified in three groups: services, remittances and transfers, and interest.

Income from services represents money receipts of domestic residents for services rendered to foreign residents. Expenditures for services represent money expenditures by domestic residents for services rendered to them by foreign residents. Consequently, the economic basis of income from services and of expenditures for services is the investment of a certain quantity of human labor which is not materialized in the form of goods (although certain types of services also represent a definite consumption of goods--that is, a specific type of commodity export). Thus income and expenditures on the

basis of services, just like exports and imports of goods, represent a country's share in the international division of labor. A growth of this income also represents investment of a greater quantity of labor, assuming, of course, respect for all other elements relevant to a market economy.

Remittances and transfers, by contrast with services, do not represent compensation for work invested. This item covers remittances of workers employed abroad temporarily, remittances of emigres, various types of social welfare benefits (pensions and so on), gifts, also including official economic aid, reparations, etc. What these forms of income have in common is that they represent unilateral transactions without a quid pro quo, which is what also makes the measures to increase them specific. The size of remittances, social welfare benefits, gifts, and so on, does not depend on the current labor of those who receive this income, but on a number of factors which are often noneconomic.

In the Yugoslav balance of payments the withdrawal of cash from the foreign exchange accounts of individuals and also payments from these accounts to foreign countries are included in expenditures on the basis of remittances and transfers. Since expenditure of foreign exchange from the foreign exchange accounts of individuals is as a rule related to the payment for services or the purchase of goods abroad, these expenditures cannot in principle be included in unilateral transactions. However, one obtains in this way a more realistic picture of how important the income from remittances is to righting the balance of payments. At the same time, one also avoids the difficulties involved in obtaining reliable figures on expenditure of this foreign exchange.

Revenues and expenditures on the basis of interest are sometimes classified in the same group with services, since both these receipts and expenditures represent a specific compensation for the "service" of capital. There is an essential difference, however, in that interest does not represent compensation for the work invested. The economic basis of interest is not current labor, but use of embodied labor of others (principally in the form of capital goods to speed up economic development) and on that basis represents a transfer of a portion of the newly created value from one country to another.

Development of Yugoslavia's Balance of Payments Over the Period From 1974 to 1982, in millions of dinars

<u>Indicator</u>	<u>1973</u>	<u>1982</u>	<u>Average Growth Rate</u>
Exports of goods	2,853	10,241	15.3
Income from services	1,335	4,750	15.1
Transportation and insurance	545	2,000	15.5
Tourism	631	1,550	10.5
Other	159	1,200	25.2
Remittances and transfers	1,646	5,600	14.6
Interest	49	300	22.3

Table (continued)

<u>Indicator</u>	<u>1973</u>	<u>1982</u>	<u>Average Growth Rate</u>
Total income	5,883	20,891	15.1
Noncommodity income	3,030	10,650	15.0
Imports of goods	4,511	13,334	12.8
Expenditures for services	415	1,940	18.7
Transportation and insurance	222	900	16.8
Tourism	42	140	14.3
Other	151	900	21.9
Remittances and transfers	243	3,900	36.1
- Interest	229	2,200	28.6
Total expenditures	5,398	21,374	16.5
Noncommodity expenditures	887	8,040	27.8
Balance of commodity trade	-1,658	-3,093	7.3
Balance of services	920	2,810	13.2
Balance of remittances and transfers	1,403	1,700	2.2
Balance of interest	-180	-1,900	29.9
Total balance	485	-483	--
Balance of noncommodity trade	2,143	2,610	2.2
Share of noncommodity income in total income	51.5	51.0	
Share of noncommodity expenditures in total expenditures	16.4	37.6	
Noncommodity income relative to commodity exports	106.2	104.0	
Noncommodity expenditures relative to commodity imports	19.7	60.3	
Coverage of commodity imports by commodity exports	63.2	76.8	
Share of noncommodity expenditures in noncommodity income	29.3	75.5	

Source: For 1973--BILTEN NARODNE BANKE JUGOSLAVIJE; for 1982--figures on exports and imports of goods of the Federal Bureau of Statistics, and noncommodity trade is the author's estimate. The computation was made at the rates of exchange in effect for the respective years.

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